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AND BUILD A BETTER WORLD



YOUR

JANINE FIRPO



MONEY

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Praise for *Activate Your Money*

“I am delighted to see *Activate Your Money* breaking down barriers that keep women from being confident, inspired investors. This book can empower all of us.”

— Rachel Robasciotti, Founder & CEO, Adasina Social Capital

“As women, we have the ability to use our financial power to shape an economy that truly works for all people and the planet. In this empowering book, you’ll find the inspiration and information you need to flex that power!

— Alisa Gravitz, President and CEO, Green America

“I have sought to better align my investments with my values and have been looking for a roadmap to do so. *Active Your Money* is a detailed, hopeful, and inspiring compilation of information for others, like me, who see greater potential in the world and are determined to be part of the positive change.”

— Lynn Frair, Nurse and Founder, fihealthcare.com

“*Activate You Money* is about more than putting your money where your values are — it offers a roadmap for ethical investing, regardless of how much money you make. This is a must-read book to make sure your financial portfolio is good for you and good for the world.”

— Joe Sanberg, Entrepreneur and Co-Founder, Aspiration Partners

“*Activate Your Money* shares Janine’s personal journey and will give you the knowledge, confidence, and inspiration to start in her footsteps and end by creating your own path.”

— Eileen Freiburger, CFP®, Partner, Abacus Wealth Partners

“This book really spoke to me emotionally in a way that I was not expecting. I think it’s going to help a lot of women and their families.”

— Cheryl Contee, CEO, Do Big Stuff and Author, *Mechanical Bull: How you can Achieve Start-up Success*

“Financial fulfillment is about more than having enough money. It means feeling confident about your investments and knowing that your money is working as hard as you are to leave the world a better place than you found it.”

— Kat Taylor, Co-Founder and Board Chair of Beneficial State Bank, a Community Development Financial Institution and Certified B Corporation

“So excited to have Janine Firpo’s voice and the voice of so many smart, engaged contributors helping us all on our path to activate and build a better world with our financial resources. Tools like this are just what we need to inspire us to action, help us to know how it’s done and learn from our peers.”

— Suzanne Biegel, CEO Catalyst At Large & Co-Founder GenderSmart.

“Many women believe they are not good investors and shy away from discussions about money. This book busts that myth and shows that not only can you do this, you don’t have to go it alone. There is a growing community of women you can tap into that will help you and cheer you on.”

— Michelle Best, Director, Social Impact Partnerships, Facebook

“For generations, women have faced systemic barriers to building wealth; for women of color, it’s been centuries. By exercising our own financial power with the guidance in *Activate Your Money*, each of us can build a better world for ourselves and our families and, collectively, we can create an equitable financial system that works for all.”

— Heather McCulloch, Founder and Executive Director, Closing the Women’s Wealth Gap

Activate Your Money

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*Invest to Grow Your Wealth and
Build a Better World*

BY JANINE FIRPO

WILEY

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Activate Your Money is dedicated to my strong, fierce mother, Kay Firpo, and all the women like her who came before us to pave the way and to make our roads less rocky.

My mom taught me about money from an early age and set me on the path to financial freedom. I am so appreciative of her openness and transparency around the subject of money. She took it from being a taboo subject to something we spoke about freely. She taught me to save, live below my means, and to invest wisely. She also taught me to step out of my comfort zone and take informed risks. I would not be where I am today without her.

“When money flows into the hands of women who have the
authority to use it, everything changes.”

—*Melinda Gates*

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Welcome to a Brave New World

Women have been left out of the financial conversation for far too long, and it is time for our voices to be heard and our needs to be addressed. Collectively, our money has the power to change the economy and create a world that better addresses our needs and priorities.

You picked up this book because you want to know more about how to invest your money in a way that resonates with your values. Putting your money to work this way is called values-aligned investing. Just because this is not the way that investing has been traditionally practiced does not mean it cannot be the way you invest. It is time for women to own their assets and to become confident investors while using their money to create a world that reflects their values. This book will show you how to invest with confidence and invest your values—without giving up your financial returns.

You may be single, partnered, or married. You may be a parent, childless, or an empty nester. You may be well informed about money, or you may be just a beginner. You may have a financial advisor or be in the market for one. Regardless of your personal situation, this book is intended to help you feel empowered around your money and help you think—and act—in new ways around your investments and your ability to use them as a force for good.

Feel Good About Your Financial Decisions

We all want to feel good about our financial decisions, and increasingly we want to know that our money supports the things we care about. Yet, many of us are unsure. Perhaps you don't think you have enough money to invest. Maybe your usual reaction to conversations about money is throwing up your hands in despair because you simply don't know what to do or you don't have the time to figure it out. You might find the thought of taking responsibility for your investing overwhelming and fear inducing. Maybe you are ashamed, because you think you should know more than you do, or you incorrectly believe that other people are just smarter than you are about money. Or maybe you already take responsibility for your investing and just want to know more.

I'm here to tell you that you can learn to invest wisely, just like you have learned everything else in your life. If you lack confidence, don't worry. There are lots of other women who are in the same boat as you. Even women who are worth tens of millions of dollars, women with MBAs, and women who work in the financial industry can feel uncomfortable when it comes to making investment decisions about their own money.

These feelings are not surprising, given our history as women. We are often not trained in finance and investing, but that doesn't mean that we are incapable. When we do take control of our money, we outperform men by as much as 0.40% to 1.8%, according to recent studies conducted at the University of Warwick and Fidelity Investments.^{1 2} While this may appear to be a minor difference, it can have a significant impact over time. The old messages about our abilities with math, numbers, and investing are fallacies. Not only can we do well when we invest, we can do better!

Live Your Values

If you've picked up this book, chances are you're someone who lives her values. You care about your family, friends, and communities. You want to see the world be a better place for future generations. You care about the planet—the quality of the air, the water, and all living things. You are interested in sustainability and justice. You already do a lot to live your values, through the choices you make and the way you spend your money. You're beginning to realize that how you invest your money, and what you support with your assets, matters. And now you are ready to know more.

This book will help you build your confidence about investing *and* show you how to invest in ways that support the things you care about *without* giving up financial return. I am a testament to this practice. I have been working to align all of my money with my values for more than 10 years, but I am not a professional financial advisor. For that reason, I reached out to the incredible network of women that I have developed over my professional career. More than 150 amazing women (and a few men) contributed to this book. Some wrote a few pages, others a chapter, and still others served as reviewers, commenters, and thought partners. I could not have created this book without them, and I owe them all an enormous debt of gratitude.

How This Book Came to Be

This book grew out of my own investment journey. I wrote it to make investment know-how more transparent and easily understandable. I didn't

want learning how to invest according to your values to be the steep uphill climb for you that it was for me.

In 1995, after a four-month solo backpacking trip through sub-Saharan Africa, I stepped out of a successful career in the computer industry to redirect my work toward addressing issues of global poverty. Not only did I take a significant pay cut when I embarked on this new venture, I also left the high-tech industry just as the Internet came on the scene. Some of my former colleagues thought I was crazy. But I was passionate about making the world a better place, and I was willing to bet my future on the potential that I saw. Over 20 years later, I couldn't be happier with the outcome of that choice.

Among other things, my new career gave me entree to many of the early discussions about transforming philanthropy and what became known as impact investing. One of the premiere conferences related to these conversations was the Global Philanthropy Forum. Around 2009, I stood up at their annual meeting and announced to the audience of foundation CEOs, ultra-high-net-worth individuals, and large institutional investors that I wanted to invest my own assets in alignment with my values. I was greeted with mute surprise. The impact investing community at that time was not a place for those without *very* deep pockets, which I did not have. But I was unfazed. After all, I had made a major career pivot to align my life's work with my values. Why should my money be supporting the social injustices I was striving to change?

Since then, I have been working to align all of my assets—from my checking and savings accounts to stocks to real estate—with my values. I want all of my financial resources to support the things I care about—the things I would like to see created, elevated, and empowered. Over the years, I have worked with three different financial advisors, all of whom assured me they would help me reach my goals. Unfortunately, *they didn't*. The reasons are as varied as the advisors themselves, but after a decade of depending on them, I found that less than a third of my assets were helping to create the world I wanted to see. The majority of my money was still in the service of banks, financial institutions, and companies I did not want to support. In some cases, my investments were upholding industries and companies I actually abhor. Now I'm changing that, and I'm finding it does not have to be that hard.

How did this happen? Why wasn't I more successful sooner? The answer to those questions is partly an issue of timing. When I started on this path 10 years ago, there were not many socially responsible investment options for individuals, particularly if you did not have extraordinarily high net worth. Fortunately, things are changing. As you will discover in this book, socially responsible investing is becoming mainstream, and there are investment

options across all asset classes. With the passage of the 2012 JOBS Act, investment opportunities that were previously available only to people with \$1 million or more in net worth are now available to anyone. There has been a sea change in terms of values-aligned investment opportunities over the past 10 to 15 years, and the level of innovation is accelerating.

In addition to the timing issue, I think I was less successful back then than I wanted to be because I was trapped between wanting to trust my financial advisors and wanting to wait and know more before I invested. I did not feel comfortable just doing as I was told. I wanted more knowledge, but my advisors were not providing me with the depth of information that I needed to feel secure and confident. It seemed the only way to learn was to figure the details out myself. Crazy, right? So I asked my advisors to hold off making investments until I had the time to learn more. Other things got in the way, time passed, and my money sat in cash or other low-yielding assets, waiting for me to make a decision.

This pattern was extremely frustrating, and I found it difficult to find the time to get educated. The financial knowledge I craved was hard to locate. It was dispersed among a wide variety of sources, presented in a complex manner, and challenging to distill in a meaningful way. My advisors weren't that helpful, either. I once asked my advisor about the risk related to an investment they were recommending and was told there was no risk. I knew that could not be true, but when I asked for more detail, I was told the risk was complicated to explain and I should just trust the advisor. I did not make that investment, because I didn't want to invest in something that I couldn't understand.

Although it was often slow going, over the years my knowledge grew. As a result of my self-directed education, I interacted with many leading thinkers in social investing, some of whom are contributors to this book. They helped me learn. And in late 2017, when I retired from my career in international development, I reclaimed control over most of my assets. Since then, I have been moving toward my values-aligned goals at an accelerated pace.

I've learned that investing for positive impact does not have to be difficult. You shouldn't have to tease out information about values-aligned investment options from the knowledge banks of financial advisors or disparate online sources. Through direct experience, I know it is possible to invest with conscience as a guide *and* to achieve market-rate financial returns across most asset classes.

How to Use This Book and Our Companion Website

There is no silver bullet to achieving financial freedom. If you want to achieve financial fulfillment, you're going to have to do some work. You're

going to need to learn things and practice what you've learned. This is a process. But it does not have to be onerous or fear inducing. Nor does it have to be mind-numbingly boring. It can actually be fun, particularly if you join other women and learn together. As you see your money growing and positively influencing the world, it can give you great joy as well.

The book is divided into three parts. You can read the book cover to cover, or you can jump to a section or chapter that most appeals to you. Each chapter has a stand-alone quality, enabling you to approach the book in the manner that seems most appropriate to your needs. You can pick it up, take some action, put it down, and then pick it up again when you are ready.

- **In Part 1, Establishing Your Foundation**, you'll learn what values-aligned investing is and discover how you can engage in socially responsible investing. You'll identify beliefs around money that may be sabotaging you and can select the values you would like to integrate into your future investments.
- **Part 2, Crafting an Aligned Portfolio**, will walk you through each asset class in which you might want to invest—from cash to stocks to real estate and beyond—to help you understand their dynamics. Each chapter in this section will show you where to find values-aligned investment options, regardless of the amount you want to invest.
- **Part 3, Building a Community of Support**, will show you how you can work with financial advisors, friends, and employers to strengthen your investing muscles. We love the idea of shifting discussions of money from being taboo to something that empowers you and builds your confidence. And that can happen as you build trust with family, friends, and trusted advisors.

This book will introduce you to a new way of thinking about money. It will show you that you have a choice about how—and where—you invest your assets. Your investment choices can bring your money into alignment with your values. When you feel good about what your money is doing in the world, it makes the entire process of investing more fun and engaging.

Our companion website, *activateyourmoney.net*, has downloadable resources that build on the themes introduced in each chapter. Be sure to visit it when you find a topic of particular interest as you are reading. Here you will find worksheets, spreadsheets, and other tools to help you take actionable steps toward your investment goals.

While writing this book, the contributors and I took great care to include information that was current. Given the dynamic nature of finance and the investing world, some of the information in this book, such as interest rates, returns, and fees, was obtained at the time the book was written and is

subject to change. Therefore, we encourage you to check the current rates and fees, in case anything has changed since this book was written.

We're excited to take this journey with you. By investing according to your values, you can literally change the world.

Let's get started.

A Final Note

This book is designed to provide information on the subjects of personal finance and values-aligned investing. The information is offered for general educational purposes only and is not intended to provide financial planning, legal, tax, accounting, or investment advisory services. Each person's financial needs, goals, and circumstances are unique. Therefore, if financial, tax, legal, and other advice is required, a licensed professional should be consulted.

The information in this book was gathered from sources deemed reliable at the time of writing. However, accuracy and completeness cannot be guaranteed. Tables reflect only a snapshot in time and do not indicate future performance, which may vary substantially. References to companies and investments are for illustrative or informational purposes and do not constitute a recommendation or endorsement of any kind. Neither the author nor the publisher will be liable or have responsibility of any kind for any loss, expense, or other damage you incur, either directly or indirectly, as a consequence of the use or application of any of the contents of this book. Any investment you make is at your sole discretion and risk.

In keeping with the collaborative nature of this work, the author is donating 100% of the net income from sales of *Activate Your Money* to organizations that are advancing women's economic empowerment and values-aligned investing.

Endnotes

1. <https://www.wbs.ac.uk/news/are-women-better-investors-than-men/>.
2. <https://www.fidelity.com/about-fidelity/individual-investing/better-investor-men-or-women>.

Establishing Your Foundation

In Part 1 you will be introduced to key concepts that will be referenced throughout *Activate Your Money*. You'll learn what values-aligned investing is, how it works, and why women should care. In addition, you'll discover how the pieces of a values-aligned portfolio fit together and become inspired to incorporate this type of investing into your own financial life. Along the way, we will debunk several myths related to values-aligned investing and show how you can achieve both financial and social returns.

You will also have an opportunity to identify the beliefs you have around money that may be sabotaging you, as well as to consider the values you would like to integrate into your future investments.

Even though this book is not intended to teach the basics of personal finance, there are a few critically important concepts that anyone diving more deeply into their investments needs to understand. The final chapter in Part 1 touches on those fundamentals. It also explores the theory behind portfolio diversification and asset allocation. And, finally, it steps you through the process of taking an inventory of your current investments and points you to tools you can use to set realistic savings and retirement goals.

Values-Aligned Investing

Step into Your Financial Power

Whether you realize it or not, you're already an investor. Your money is having an impact somewhere, somehow. This is true even if all you have is a savings account. Every entity in which you save or invest your money is using your assets for some purpose. The question is whether this supports the things you value—or undermines them.

When you take greater responsibility for understanding your investments, you can use the power of your capital to make a difference in the world. Values-aligned investing, while novel, is not a new practice. In the US, it can be traced back to 1758 when religious societies like the Quakers didn't allow their members to invest in companies involved in the slave trade.¹ The momentum picked up in the 1960s when opponents of the Vietnam War blacklisted weapons manufacturers and continued into the 1980s as students demanded divestiture from South Africa as a response to apartheid. Today many people are interested in “voting with their dollars” and boycott companies that do not support their values and patronize the ones that do.

In the best-case scenario, 100% of your portfolio would be invested in the things that matter to you. Personally, I have made a pledge to invest all of my assets in alignment with my values. But you don't have to make the same commitment I did. You might prefer to make a smaller commitment initially and take this step-by-step. Perhaps you could start by shifting some of your assets into investments that create positive change. Or you might decide to keep the investments you already have and allocate all your new assets to values-aligned financial products.

As you learn, you'll gain more confidence and may decide to move even more money into alignment with your values. That is what happened to me. My increased desire and ability to reallocate my money to funds, companies, and financial institutions that deliver positive results is an outgrowth

of gaining more confidence in my overall investing knowledge and skills. Follow whatever approach and timing feels right for you. We're not here to tell you what to do. Instead, we want to give you the tools you need to feel empowered and to make more informed investment decisions.

Before digging into what values-aligned investing is and how it works, let's take a look at the dynamics around how women currently invest, what they want, and the potential women have to change the world for the better based on the investment choices they make.

Women Think Differently About Money

Our current economic model has led to a world that does not work for all of us. It enables businesses to maximize financial gain without full consideration of the adverse impacts their operations have on people or the planet. Since these damaging effects do not have a direct financial cost to the business, they are often ignored or underreported. Even worse, businesses have been known to obfuscate, refuse blame, or actively cloud an issue to avoid having to pay the full cost of their negative impacts.

This has led to environmental degradation, social problems, and other adverse consequences that are known as externalities. In economics, a negative externality is a cost that affects a third party who did not choose to incur that cost. An example would be a manufacturing plant that contaminates a nearby lake but does not pay for its cleanup. The cost is ultimately paid, but it is borne by the people who live near the lake, taxpayers, or both—not the company that created the problem. This approach is not sustainable, and it does not bode well for our health, happiness, or prosperity—or for that of our children and grandchildren.

Today's financial system also undervalues the priorities of women. As wage earners, we garner only 81 cents on the dollar compared to men.² As entrepreneurs, we get a mere 2.2% of the venture capital funding.³ And as money managers, women serve as the exclusive managers for only 2% of mutual funds.⁴ Across the board, the situation is even worse for women of color. We are also living in a country where the top 1% of the population holds more wealth than the entire middle class.⁵ However, it doesn't have to be this way.

The prevailing winner-takes-all mentality is not the way women show up in the world. It's not who we are. We are collaborators, coalition builders, and promoters of win-win scenarios. We definitely want to see our money grow and achieve great financial returns, but not at any cost. Of course, we want to make money through our investments, but it's not enough for us to simply receive a competitive return. We want more, and guess what, so do our children.

In 2017, a Morgan Stanley study found that 84% of women and 86% of millennials were interested in sustainable investing.⁶ Two years later, their biennial report showed interest had grown even more: 95% of millennials said they wanted to invest in alignment with their values, and 50% of all respondents in the survey already had at least one sustainable investment.⁷

As women, we are clear. We want to direct our dollars toward a future of prosperity, inclusivity, and sustainability. We want to see our children, our communities, and our planet flourish. We want the ways that we show up to support our values. We want to walk our talk.

If enough of us align our money with our values, we can help change the face of the economy from a “profit at any cost” model to a more sustainable and equitable approach. We can accelerate a movement to a financial system based more on long-term sustainability than on short-term gain. We can pivot markets to a model that works better for people and the planet, not just shareholders. We can also dramatically increase the number of women-led businesses that receive funding, and we can underwrite the development of products and services that meet our needs as well as those of our children. And we can do all that without giving up financial return. Our combined potential is bigger than you think. In fact, it is incredible!

You Already Have a Lot of Financial Power

As women, we already control more than 50% of the personal wealth in this country, and that percentage is expected to rise to 65% by 2030.⁸ As of this writing, 45% of millionaires in the United States are women, and the number of wealthy women in the country is growing at twice the rate of wealthy men.⁹ We have become a financial force, and that financial power can create great change. But that change will only come when we decide to take more control of our assets and invest in ways that make us feel good.

With *#MeToo* and other female-focused movements, women are galvanizing change. While advances have been made in many areas, women are still lagging when it comes to their money, even though their overall wealth is growing.

When you think about your money, you probably consider what it will buy, what you and the people you love need and want, how much you have or don't have, whether you'll have enough to retire, and how to get more of it. Regardless of how much money you have, you probably stress about it—in one way or another. You probably worry about whether it is invested wisely, whether it is safe, whether it is growing, what will happen in the next economic downturn, and whether you are getting good financial advice.

Money is a constant theme in our lives. If you are like many women, you probably wish you didn't have to worry about it at all. To many of us, managing and investing our money seems overwhelming, hard, and often the least favored item on our to-do list. You might wish that someone else would just handle it for you. And that is what a lot of women do. They leave their money in the bank—and hope for the best. Or they hand their financial agency over to someone else. We all do this. But at what cost?

The first cost is to our ability to grow our wealth over the course of our lives. Many women know there is a gender pay gap but might not be aware there is also an investment gap. Not only do men earn more, they also retire with three times more money than we do, even though we save more.¹⁰ According to a 2018 study by BlackRock, women keep 71 cents on the dollar in savings rather than take the risk of investing, and possibly losing, it.¹¹ Meanwhile, men invest and grow their wealth. They're more willing to take the risk, whether they feel fully confident or not.

Our lack of confidence in our ability to invest and build our wealth is hurting us. This gap has led women to hand financial authority over to the men in our lives—husbands, male relatives, and financial advisors. When we pass responsibility for our money to others, we're putting ourselves at risk. We're also giving up our agency, our financial security, and the potential to change where money flows—and what it affects. Even worse, we're setting up our daughters and granddaughters to be uninformed as well. It's time for us to take back our financial agency, and this book will help you do just that.

When we invest, we do it differently than men. When we hand our agency to men, we are letting them invest in the way that works for them, not for us. Women tend to be more cautious and more analytical as we assess potential investments. We want to understand risks before we take them. We are more willing to collaborate, whereas men are more likely to trust their gut and go it alone. Our approach serves us well, and we create broad networks of colleagues along the way. This makes investing more fun and more effective, because it exposes us to additional knowledge and new opportunities.

We also have a greater propensity to invest in the things that matter to us, and increasingly we want advisors that listen to, and educate, us. Ask yourself, What would it be like to feel skilled, competent, and self-assured about my money? And how would it feel to be confident enough to teach your children how to be investment-savvy?

Eventually, you will most likely be put in a position where you have to take on responsibility for your money, whether you want to or not. As a woman, you will probably be alone at some point in your life—because you stayed single longer, or divorced, or outlived your spouse or partner. Whom will you trust when the person (usually a man) overseeing your finances is

no longer there to guide you? When the sands start to shift beneath your feet is not the right time to start learning. If you're going to have to learn to be a better investor at some point, why not start now? And why not do it in a way that actually makes you feel good?

What About Financial Returns?

Some of you may be wondering if you have to give up financial return to invest with your values. No, you do not! Yet, perceptions of a trade-off between sustainable investing and financial gain have proven stubborn. People who argue that you will give up financial return when you invest consciously are most often referring to investments made in the stock market. These naysayers are not even considering other asset classes, such as cash, fixed income, private investments, or alternatives, where the trade-off can be hard to find. They are primarily focused on stock funds that incorporate ESG (environmental, social, and governance) criteria, and even there, they are wrong.

The evidence supporting ESG investing is mounting. In 2019 *Cornerstone Capital Group*, a women-led financial advisory and research firm, undertook a comprehensive review of research papers that looked at the potential trade-off between ESG criteria and financial performance. They analyzed over 2,200 studies conducted since the 1970s and found the research consistently concluded that ESG standards do not compromise investment performance.¹²

*A 2017 study by Nuveen TIAA Investments, 2016 research by Barclays Research, and three meta-studies in 2015—one by Deutsche Asset & Wealth Management, another by Oxford University and Arabesque partners, and a third by Morgan Stanley—provided similar results.*¹³ The Morgan Stanley study looked at more than 10,000 mutual funds over a seven-year period. Their analysis showed that investing in sustainability not only met, but often exceeded, the performance of comparable traditional investments. This was true on both an absolute and a risk-adjusted basis. And it was true across all asset classes over the period studied.¹⁴ Follow-on research by Morgan Stanley in 2019 provided further support to these earlier studies.

Even with all this evidence, some people continue to argue that ESG results in lower returns. One of their arguments was that we didn't know what would happen in a serious economic downturn. As a result of the market collapse in early 2020, now we do know. We learned that ESG funds performed better during this period, according to research by Morningstar, MSCI, BlackRock, and other leaders in the finance industry.

You don't have to take our word for it. As we progress through the book, you will learn how to compare social impact scores and financial

returns across the most commonly traded index, exchange-traded funds, and mutual funds in the US stock market. You will see for yourself that there doesn't have to be a trade-off between values-alignment and financial return in the stock market and that this is the case with other asset classes, too.

Some Terms You Need to Know

Impact investing, ESG, socially responsible investing (SRI), green investing, conscious investing, and mission-driven investing are all terms used to describe aspects of values-aligned investing. If you ask five people what a specific term means, you're likely to get five different answers. This book uses the definitions that follow.

Terminology

Conscious Investing

Investing in such a way that an investor is aware of the impact their money is having on the environment and society. In conscious investing, the investor makes a conscious, aware choice.

Socially Responsible Investing (SRI)

One of the earliest terms coined. Often associated with negative screening in the public equities market—negative screening focuses on what is not included in an investment.

ESG

Environmental, social, and governance criteria that are used to evaluate companies for investment purposes. Research shows that companies with higher ESG scores have improved returns because they represent lower risk.

ESG Investing

The act of investing in high-scoring ESG companies. Although some consider ESG investing to be an approach across all asset classes, it primarily refers to investments in fixed income and public equities (also referred to as the stock market).

Green Investing

Investments specifically related to conservation of natural resources, production of alternative energy sources, and other environmental sustainability goals.

Impact Investing

While some use this term to refer to social investing across all asset classes, it usually refers to debt and equity investments in private businesses that have a mission directly tied to intentional positive impact.

Mission-driven Investing

Investments that align with the mission and values of an organization, usually a foundation or endowment. Mission-driven investments are often concessionary and made out of a special pool of money that is set aside for this purpose. Also called program-related investing.

Social Investing

An investment strategy that seeks to consider financial return and social/environmental good. Also referred to as sustainable investing, socially conscious investing, and ethical investing.

Sustainable Investing

Investments that lead to sustainability for people and the planet.

Values-aligned Investing

A comprehensive approach in which investors seek to align their money with their values across all asset classes.

Even Small Investments Make a Difference

The first person you need to be satisfying with your investments is yourself. If it matters to you that your money supports the things you care about, then it matters, regardless of how much you have to invest. It also matters on a larger scale because small things add up in a big way. Our greatest impact is a collective one. It is felt most acutely when large numbers of us choose to move our money where our hearts are. And when enough of us make that choice, things change.

Although investors have been voicing concerns about sustainability for several decades, it's only recently that they have been translating their words into actions. And those actions are making a difference. *The Harvard Business Review* states that in 2006, 63 investment companies with \$6.5 trillion in assets under management (AUM) signed a commitment to incorporate ESG issues into their investment decisions. In 12 years, there were 1,715 signatories representing \$81.7 trillion in AUM. And today, more than half of global asset owners are implementing or evaluating ESG considerations in their investment strategy.¹⁵

Don't underestimate the power of the purse. If women in the United States shifted an average of \$20,000 in existing savings and investments into financial products aligned with their values, an additional \$2.56 trillion of assets would move,¹⁶ and that would definitely cause the investment companies that manage our assets—as well as the business entities themselves—to take notice. While some of us do not have \$20,000 in assets, many of us have considerably more.

How you invest your money also matters because it is a reflection of who you are. It mirrors your deepest values. It brings you into integrity with other aspects of yourself. And it is the part of your road to financial freedom that will bring you joy and make the entire process of investing deeply satisfying. The ultimate metric for your investments is how they make you feel.

How can you know if you're having a positive impact with your investments? Sara Olsen, one of the leading thinkers in measuring socially responsible investments, says there are three fundamental impact issues to understand:¹⁷

1. The effect your investments have on you and how they make you feel;
2. The effects they have on the world, particularly in terms of avoiding harm and benefiting a wide range of stakeholders; and
3. The degree to which the investments are living up to their social contract by contributing to solutions to pressing social and environmental problems.

The degree to which you incorporate all three of these factors into your investments depends on the amount of money you are investing as well as the type of investment. If you make a \$10,000 investment in a stock fund, for example, the research you did to determine whether the fund was aligned with your values (e.g., no fossil fuel companies, gender equity, social justice) may be enough for you to feel good about that investment. If you invest \$500,000 into a private equity fund, then you probably want to push further and seek more assurances that the fund managers will invest in companies that are creating viable solutions for problems that matter to you.

We'd all like to think that managing our investments and growing our wealth is easy and risk-free. We want simple, quick solutions. We're excited to read blog posts that promise five easy steps to financial freedom. Those essays extol financial basics like living below your means, saving as much of your money as you can as early as you can, and taking advantage of matching funds in employer-sponsored retirement funds.

While this is valuable advice, those tenets do not help you invest. Nor are they sufficient for the long term. Investing wisely takes time. You need to learn, experiment, and take risks. You need to build your confidence and skills. Smart, successful investing and wealth creation is not