Reinvestment Alternatives for Individuals

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350-madison is not making any investment recommendations but merely providing information about possible alternatives to fossil fuel related investments. Individuals should evaluate any investment alternative for personal appropriateness.

Basic Investment Information

First, a warning! As an individual, it takes specific effort to remove fossil fuels from your investment nest egg. If you are not willing to put time into learning about investing, your efforts may be better spent working to get any endowments or pension funds you are associated with to disinvest than to try to disinvest yourself. That said, if you have your money invested in one or more mutual funds, and the fund does not specifically state that it is not invested in the fossil fuel industry, then you should assume that between 10 to 15 percent of your funds are invested in fossil fuels.

Right now there are not many alternatives that will keep your investment nest egg diversified, while not investing in fossil fuels. Mutual funds are considered a good investment vehicle for individuals because a share of a mutual fund gives you an interest in an investment pool that contains stocks from every sector of our economy. By holding pieces of the stock of many companies in many sectors of the economy, if one company does poorly it will likely be balanced by good earnings in other companies so that you are likely to do about as well as the market as a whole. The performance of the mutual fund is based on the skill, or luck, of the manager of that fund in picking more investment winners than losers.

If you should decide to divest your personal nest egg, be aware that there are a very limited number of diversified funds that do not include the fossil fuel industry. Therefore, you will have far fewer investment managers and portfolios to choose from and the overall return on your investments may be less. It will take time to get more mutual funds to exclude fossil fuels from their portfolios and give individuals more investment options to choose from.

However, if you believe fossil fuel companies are currently overvalued, then divestment from fossil fuels may be a good long-term investment strategy. Based on data from the Carbon Tracker initiative, four-fifths of the known reserves of fossil fuels cannot be burned.[1] If even one fifth of those reserves are burnt, the scale of disruption on this planet will be vast. So many assets and lives will be destroyed; the economy will be only a fraction of what it is today, diminishing the value of all portfolios. So in addition to the moral imperative to save the planet, it is also in our personal financial interest to divest from fossil fuels now and to invest in clean, carbon-free energy for a sustainable economy. Below is some information to help you do that.

Be aware that while there are mutual funds that are marketed as "socially responsible," those funds still invest in fossil fuel companies. Part of this fight is to push money managers at these firms and others to divest from fossil fuels, too. Note that while the Calvert funds have been a leader in socially responsible investing, they currently do not offer any broadly diversified fossil fuel free fund.

Individual Investment Alternatives

There are basically two approaches to investing fossil free. One approach is to keep a diversified portfolio but exclude fossil fuels. The other approach is to direct your investment into renewable energy companies. The first approach

[1] **http://www.carbontracker.org/wp-content/uploads/downloads/2012/08/Unburnable-Carbon-Full1.pdf**

keeps your investment nest egg in the 85 to 90 percent of the economy that is not engaged in fossil fuel extraction. The second approach limits your investments to the 1 percent of the economy that is current engaged in renewable energy generation.

Diversified Fossil Free Investments

The following information was obtained from gofossilfree.org. Currently, the only broad-based mutual funds that are completely fossil fuel free are:

- Green Century Balanced Fund (www.greencentury.com)
- Portfolio 21 Global Equity Mutual Fund (www.portfolio21.com)

You could also look into building a diversified portfolio yourself. Mutual Fund companies including Vanguard and Fidelity offer sector-based Exchange Traded Funds (ETFs). You could buy ETFs of various sectors, but not include the energy sector to create your own portfolio. You could use an investment advisor. The First Affirmative network of financial advisors lists "climate effects" as one of its factors in providing socially responsible investment advice. Also the not-for-profit organizations, CERES and Tellus Institute, have partnered to create a Global Initiative for Sustainability Rating system which is under development. Initial information from this rating system could be helpful. Also Green America, a national not-for-profit consumer organization, is working on a more in-depth analysis of fossil free mutual funds and asset managers. Green America is also working toward the creation of a US treasury bond called Clean Energy Victory Bonds. This fund is not yet available. There are also mutual funds that do not completely divest from fossil fuels, but use their holdings to bring climate concerns to company management. This is another approach to address your climate goals while maintaining a diversified portfolio.

Renewable Energy Investments

Investing in renewable energy companies will expand that part of the economy that needs to grow if we are to maintain both our planet and our style of living. This is more risky but it supports the change we need. There are mutual funds that limit their investments to only alternative energy companies. These investments are not in a single company but a group of similar companies. The following are some examples:

- Calvert Investments has a Calvert Global Alternative Energy Fund,
- Pax World Investments has a Global Environmental Markets fund,
- PowerShares WilderHill Clean Energy (PBW),
- iShares S&P Global Clean Energy Index Fund (ICLN), and
- First Trust Global Wind Energy (FAN).

These kinds of investments are greatly affected by changes in tax policy like renewal or expiration of wind energy tax credits.

Unconventional Investments

Also consider other forms of direct investments in renewable energy companies. The following are fund raising sites for entrepreneurs: **www.indiegogo.com**; **www.crowdsourcing.org**; **www.kickerstarter.com**; **www.launcht.org**; **www.gofundme.com**. On most of these sites, you provide a donation to a start-up company. There are some opportunities to provide loans to start-up businesses. When you donate, you can learn about the company to become a future early investor. Further locally, you can also seek out community-funded projects in alternative energy. Such projects provide an opportunity for many individuals to participate in a single local alternative energy installation.