



Wealth Management

Column: How Can I Align My Environmental Views with My Investment Objectives?

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Investors around the world are increasingly aware of how certain business practices may potentially affect the environment and how that may impact future generations. As a citizen, you can express your political preferences around sustainability through the ballot box. As an investor, you can also express your preferences through participation in global capital markets. Recently, we've seen investors doing just that by putting their dollars to work in environmental or sustainable investments in record volume.

As demand in the space has increased, the solutions available on the supply side have increased in order to meet that demand. And while more solutions have come to market, it's important for you to be aware of and evaluate the different approaches you and your advisor may take to accomplish what seems like the same goal.

How to get started? With the help of your advisor, seek broadly diversified investment solutions that emphasize what research indicates are reliable sources of higher expected returns, while also aiming to minimize unnecessary turnover and trading costs. However, it's not enough to just have a strong investment solution when pursuing sustainability goals. You should consider the environmental issues that are at the forefront of your mind – and the minds of other investors. For some advisors, this might even mean consulting with leading academics and scientists in related fields. This kind of insight allows advisors to develop more robust investment solutions that seek to address the issues most important to environmentally focused investors -- without compromising on sound investment principles.



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Due to the multitude of practices that can be analyzed, it's also important for your strategy to focus on well-defined goals and create a standard for measuring outcomes. You can approach sustainability investing in a focused way by considering how company business practices may impact the environment and whether these actions may impact the ability of future generations to meet their own needs. For example, rather than considering dozens of variables, you may wish to entertain a sustainability approach that focuses on climate change and seeks to reduce exposure to greenhouse gas emissions, which have scientific consensus as the main drivers of climate change.

The short answer? With some thoughtful strategy and support from your advisor, it is possible to align your environmental views with your investment objectives! Start with a robust investment framework, then overlay the considerations that represent the views of sustainability-minded investors. This sets the stage for a cost-effective approach that will provide you the ability to pursue sustainability goals without compromising on sound investment principles or accepting lower expected returns. Today, you can eat healthy while also enjoying a great meal. In a similar way, you can support your environmental values while maintaining sound investment principles, such as broad diversification and cost management, and pursuing higher expected returns.