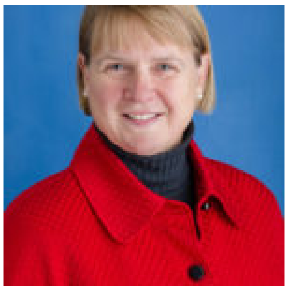
Doing Well by Doing Good – Socially Responsible Investing in 2020



By Sarah Ruef-Lindquist, JD, CTFA

The world of investing is increasingly focusing attention on ways in which capital can be invested to support businesses that are promoting social or environmental welfare, and/or govern themselves in a way that promotes diversity and inclusion of those historically marginalized in corporate leadership, either by virtue of gender, race or other suspect criteria.

For many investors, this approach aligns with their desire to support business that are "doing good" in the world either in terms of what social or environmental issues they are addressing, and perhaps in terms of how they govern themselves and treat the employees within their companies.

What has come to be known as Socially Responsible Investing ("SRI") or Environmental Social Governance investing ("ESG") involves using criteria like environmental, social, governance and employment practices to choose what investments will be held in a portfolio. According to Commonwealth Financial Network's website:

Sometimes referred to as environmental, social, and corporate governance (ESG) investing, Socially Responsible (SRI) is a broad-based strategy in which **corporate responsibility** and **societal concerns** are factored into investment decisions. In short, an SRI strategy seeks to **maximize both financial return and social good.**

Companies that deal in tobacco, gambling, fossil fuels, weapons, or involve child labor, employee discrimination, or lack board diversity are the kinds that get attention in SRI/ESG screening. Mutual funds will screen out companies that don't measure up in those areas.

This has broad appeal for many investors, but for some time there have been concerns that one could sacrifice market performance for social benefit. Over time, the index that measures the performance of mutual funds that screen for SRI companies has shown that the gap has narrowed significantly between the general mutual and exchange-traded fund world and SRI-screened funds.

Most recently, during the first quarter of 2020, some saw better performance from their ESG exchange traded fund (ETF) than the S&P 500 delivered. A June 2020 article "ESG Funds Shine During Pandemic" in Wealthmanagement.com by Lawrence Carrel noted historically high inflows into mutual and exchange-traded funds while the overall fund universe posted higher outflows.

Favorable performance in the SRI and ESG space is not new. According to a US News and World Reports June 7, 2018 blog post entitled S*ocially Responsible Investing Delivers*:

Research and performance history imply that socially responsible investors receive superior absolute returns and risk-adjusted performance, while also addressing sustainability concerns. Dollars invested in sustainable and socially responsible strategies provide companies with better ESG metrics easier access to capital, which reduces the cost of equity and supports higher stock prices.

https://money.usnews.com/money/blogs/the-smarter-mutual-fund-investor/articles/2018-06-07/socially-responsible-investing-delivers-for-investors

The author, Kate Stalter, regular contributor to *The Smarter Investor* noted "Since 1990, the socially conscious Morgan Stanley Capital International KLD 400 index (DSI) of U.S. stocks outperformed the S&P 500 in almost every time frame, and had better returns than the market cap-weighted index in both bull and bear markets."

The Covid-19 pandemic may have magnified the appeal of SRI and ESG investing. The Carrel article quoted a senior product specialist at Swiss-based Pictet Asset Management, Marc-Oliver Buffle: "A lot of people have noticed that not having as many airplanes in the sky and cars on the road leads to cleaner air…leading to a global realization…directly playing into the hand of those businesses that we invest in, ones providing solutions to those issues."

Perhaps as compelling for some investors, the article also quoted Martin Jarzebowski, director of responsible investing at Federated Hermes, as noting …"a new consistency of quality factors among ESG leaders, such as lower volatility and a higher profitability of their business models…taking structural ESG considerations into a normal investing framework is anew form of risk management." He concluded, after noting the outperformance of ESG in the 4th quarter of 2018 "…ESG has more semblance of being the new quality factor."

While the positive social and environmental perspective of SRI/ESG investing may be compelling, the quality dimension of these investments may be equally – if not more -compelling for some.

Consider whether a more socially responsible approach to investing makes sense for you. Would knowing that your investments were supporting companies working to improve the environment, or address social causes, or include women and minorities in executive leadership add value to your experience as an investor? As with all investment choices, you should consult with your financial advisors before making any changes to your portfolio or investment strategy.

Is Now the Time to Buy or Refinance?

June usually marks the height of the spring real estate market—it's National Homeownership Month, after all. But this June hasn't been typical. With job loss numbers in the tens of millions, the economic impact of the coronavirus pandemic has put home ownership at risk, with many struggling to make mortgage or rent payments.

There is one unexpected bright spot, though: Interest rates have dipped to historic lows. And, if you're in a position to take advantage of opportunities to buy a home or refinance a mortgage at an irresistible rate, you may be wondering whether you should.

To Buy or Not to Buy?

It depends. There are pros and cons to buying now, and it really hinges on your specific situation. Here are a few things to consider:

Time, and numbers, are on your side. If you're a first-time buyer or an investor looking to seize the day, you probably don't need to rush. Although most of the job losses seem to be behind us and consumer confidence appears to have bottomed out, rates likely will remain low for some time. And, though home values are showing more resiliency than they did in 2008, prices may decrease a bit more, getting you a little more for your money.

Supply, and available credit, are not. Even if you're willing to brave a fluctuating market, overall inventory is relatively low and there's little to choose from. Not surprisingly, many sellers are reluctant to list properties during the pandemic and are holding out for more favorable economic conditions. If you're having trouble finding what you want and are unwilling to wait, don't rule out working with a developer. Many need cash flow right now, so it could be your chance to make a deal.

Keep in mind the mortgage market hasn't been immune to the impact of the pandemic, with liquidity dipping along with rates. May saw a tightening of lending standards, according to a recent Mortgage Credit Availability Index report issued by the Mortgage Bankers Association. Cautious lenders are changing underwriting guidelines, so you may expect more stringent credit score and down payment requirements—and your credit will factor into whether you get the best available rate. First-time buyers, in particular, may need to look at various financing options, such as conventional loans with private mortgage insurance or FHA loans, if they have a lower credit score or want to put less down.

Is Refinancing the Right Move?
Historically low interest rates are causing a flurry of activity for existing homeowners, too, and with good reason. Refinancing offers possibilities like reducing your monthly payment, switching from an adjustable to a fixed rate, shortening the life of your loan, or even cashing out a portion of your equity to use toward paying for college, home improvements, or other outstanding debt. Although it may seem like a no-brainer, it’s not always the right move—and you could find yourself with less money in the bank instead of more.

Think long term. The traditional rule of thumb was to refinance if you could lower your current mortgage rate by at least 2 percent. Not anymore. If you can lower your rate by 1 percent or more, you may see significant savings. How much, though, may depend on how far along you are in paying your current loan. For example, if you’re 3 years in and want to shorten your loan from 30 to 15 years, you can save on interest, even if you end up with the same or slighter higher monthly payment, but over much less time. If you’re 10 years into a 30-year loan, however, and want to lower your monthly payment by refinancing for another 30-year term at a lower rate, you may end up paying more in interest over 40 years.

Shop around and do the math. Although refinancing can often save money over the life of your mortgage loan, it can come at a price. In addition to the interest rate, pay attention to things such as closing costs, up-front fees (e.g., appraisal, legal, loan origination, and title search fees), points, and whether the lender will service the full life of your loan. You may find some lenders offer “no points, no closing costs” options at slightly higher interest rates. Finally, consider the costs of the loan against how long you plan to stay in your home. Ideally, you want to break even on your refinancing costs within one year. Be sure to shop lenders and run the numbers with your

CERTIFIED FINANCIAL PLANNER™ professional—making meaningful comparisons can help you snag the best possible deal and ensure that savings outweigh costs.

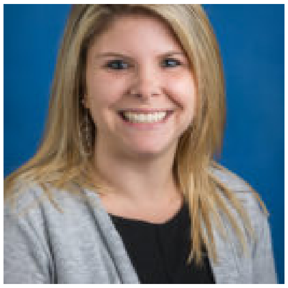
Final Thoughts . . .

Taking advantage of low rates is attractive, but your personal circumstances will dictate whether it's a good time to buy or refinance, especially with lingering uncertainty around the economy. One caveat: If you're an investor looking to become a landlord, plan to have an emergency fund of about three months' salary on reserve (as well as enough funds to cover transactional costs). The economic fallout of the pandemic could affect the ability of residential and commercial tenants to make rental payments.

This material has been provided for general informational purposes only and does not constitute either tax or legal advice. Although we go to great lengths to make sure our information is accurate and useful, we recommend you consult a tax preparer, professional tax advisor, or lawyer.

Meesha Luce Earns Safeco Insurance® Award of Excellence for Superior Underwriting

Skill



Meesha Luce

Meesha Luce, ACSR, a personal insurance account executive with Allen Insurance and Financial has earned the Safeco Insurance Award of Excellence, an honor recognizing superior underwriting skill.

This is Luce's sixth consecutive year earning this recognition, which is achieved only by a select group of agents across the country who sell Safeco Insurance.

"Meesha is part of a personal insurance team working hard every day to make sure we deliver the highest level of service to our customers. We are all very proud to say that Meesha is again part of this elite group of insurance agents honored by Safeco," said Michael Pierce, president of Allen Insurance and Financial.

The Safeco Award of Excellence honors outstanding agents who have developed a solid underwriting relationship with Safeco and whose agencies have qualified for the Safeco Insurance Premier Partner Award, the company's top recognition program. Fewer than 10% of agencies who sell Safeco have agents who receive this award.

Luce, a resident of Jefferson, joined Allen Insurance and Financial in 2006. She has been a member of the Maine Insurance

Agents Association Young Agents Committee since 2013, was named Maine’s Young Professional of the Year in 2017 and is the vice chairman of the Maine Young Agents Committee.

Allen Insurance and Financial is a multi-year President’s Award and Premier Partner agency, recognition given only to the best independent insurance agencies that sell Safeco. Safeco is a Liberty Mutual Insurance company.

Insurance Superintendent Says Even Mainers Outside of Flood Zones Should Consider Flood Insurance

From the Maine Bureau of Insurance, 6/1/2020

With the National Oceanic and Atmospheric Administration (NOAA) predicting more named storms, more hurricanes and more major hurricanes during the 2020 Atlantic hurricane season, Maine Insurance Superintendent Eric Cioppa strongly recommends that all Mainers consider purchasing flood insurance, even those who live outside of federally designated flood zones.

The Federal Emergency Management Agency (FEMA) reports that in recent years hurricanes have caused above average flooding, with more than 40% of flood claims submitted from outside of high-risk flood areas between the years 2014 and 2018.

“No matter where we live, it’s important that we all understand our flood risk, and what it could cost us," Cioppa said. "Don't wait until there's an imminent threat. Now is the time to call your agent to get a quote and purchase coverage. You can purchase a flood insurance policy at any time, but there is usually a 30-day waiting period for coverage to take effect."

Mortgage lenders generally require homes in flood zones to have flood coverage, but it is usually an optional purchase for all others. Many people assume incorrectly that their basic homeowners or renters insurance policy will cover damage from flooding, but flood coverage must almost always be purchased separately.

A homeowners or renters policy may pay for water damage inside a house, such as damage from an ice dam or a burst pipe, but it will usually not pay for unusual or rapid accumulation or runoff of surface waters, such as those caused by snowmelt or torrential, soaking rain.

The Atlantic hurricane season officially runs between June 1 and November 30 each year.

Recommended related resources include:

Flood Insurance: Details are available from the National Flood Insurance Program (NFIP) by calling 1-800-427-4661 or online at https://www.floodsmart.gov.

Inventory Checklist: A checklist can help establish an insurance claim. Start one at https://www.maine.gov/insurance/consumer/individualsfamilies/homeownersrenters/homeinventorychecklist.html and keep a hard copy in a secure location away from your home, with insurance policies, medical records, and other important documents.

Emergency Preparedness: For information about preparing yourself and family for emergency situations, such as floods, storms, power outages and home fires, visit https://www.ready.gov/ The Maine Emergency Management Agency (MEMA) provides Maine specific information at https://www.maine.gov/mema/maine-prepares/.

Consumers with questions about insurance matters can obtain information and assistance from the Maine Bureau of Insurance by visiting maine.gov/insurance, calling 800-300-5000 (TTY 711), or e-mailing Insurance.PFR@maine.gov

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Current Topic: Employment Practices Liability Insurance

In the time of COVID-19, employers in Maine and across the country have had to make numerous and significant decisions about how to manage their business, developing and implementing policies and procedures addressing remote work, layoffs, furloughs, pay cuts, workplace conditions, and a host of other issues.

Employment Practices Liability Insurance for employers covers employment-related liabilities other than on-the-job injuries. This can include legal fees and damages for suits such as wrongful termination, discrimination, sexual harassment and other alleged violations of employees’ legal rights.

Recognizing that smaller companies now need this kind of protection, some insurers provide this coverage as an endorsement to their Business owners Policy (BOP). An endorsement changes the terms and conditions of the policy.

Other companies offer EPLI as a stand-alone coverage.

The cost of EPLI coverage depends on your type of business, the number of employees you have and various risk factors such as whether your company has been sued over employment practices in the past. The policies may reimburse your company against the costs of defending a lawsuit in court and for judgments and settlements.

Your EPLI policy could cover legal costs, whether your company wins or loses the suit. Policies also typically do not pay for punitive damages or civil or criminal fines. Liabilities covered by other insurance policies such as workers compensation are excluded from EPLI policies.

The number of lawsuits filed by employees against their employers has been rising, especially during the current pandemic. While most suits are filed against large corporations, no company is immune to such lawsuits.

These are important and complicated matters. We find the best way to address them is by personal conversation. We’re here to help.

Source: Insurance Information Institute