

## REAL GREEN INVESTING



# How to Work SRI Into Your 401(k)

For many Americans, a 401(k) may be their biggest or only investment aside from banking. Before your money funds your retirement, it can work for people and the planet as part of the growing SRI movement.

by Anya Crittenton

**I**n the wise words of Donna Summer, “She works hard for the money.”

And shouldn’t she get to decide what happens to it, how it’s invested, where it goes? Shouldn’t you? That’s why socially responsible investing (SRI) options in an employer’s 401(k) package is so crucial to maintaining a healthy economy for both people and the planet.

## An Intro to SRI

SRI (also called mission-based investing, sustainable investing, or impact investing) is an approach to investing, which adheres to ESG (environmental, social, governance) criteria. Recently, ESG has become the more widely used term.

There are many long-term benefits to practicing SRI, including improving corporate conduct through shareholder action, community development, and reducing financial risk.

“Offering SRI retirement options is an excellent way for employers to help secure the financial well-being of their employees,” says Fran Teplitz, Green America’s executive co-director. “For employees, it means putting their money where their values are, while saving for retirement at the same time.”

## The Employee and the 401(k)

According to The Investment Company Institute’s (ICI) 401(k) Resource Center, only 60 million Americans were

participating in a 401(k) program, as of September 2021.

But that doesn’t need to be the case.

“Research shows that Americans will save more through defined contribution plans [*defined: retirement plans that either or both the employee and the employer contribute to*] with proper incentives, services, and guidance,” ICI states on its Resource Center page. “Better understanding of 401(k)s, through education and disclosure, will also boost participation.”

There are ways to encourage and foster participation, including offering more ESG investment options.

According to the 2019 Defined Contribution Plan Participant Survey by Natixis Investment Managers, 61% of “all workers surveyed would start saving or would save more for retirement if they had SRI/ESG options.” Of those surveyed, only 13% had access to ESG options within their employer-provided retirement plan at the time.

Three-quarters of all surveyed employees also said it was important “to make positive social and environmental impacts while increasing one’s assets.”

Unfortunately, the benefits of a 401(k) are only available to employees who have access to them at all—and many don’t. According to a 2018 Stanford report, “only half of all households are offered work-based retirement plans.”

If you’re fortunate to have access to one, what does a 401(k) with SRI options actually get you? Control of your earned money and financial health.

### Make Your Finances Work for the World

“A lot of people don’t know there are investment opportunities that consider environmental and social justice and good corporate governance factors,” says Jeff Scales, Managing Principal at JSA Sustainable Wealth Management {GBN}. “And this may be the only place that they’re doing anything more than a bank account and a savings account.”

Spending and investing your money where your values lie is called voting with your dollars, and it’s a great way to support local communities and a healthy planet.

It goes back to the stats showing people will be more likely to join a 401(k) program if it offers ESG options.

“If you’re offering me a choice between General Motors, Exxon and Pfizer,” warns Rob Thomas of Social(K) on employer-provided 401(k)s. “I’m going to opt out.”

Before you opt out, consider that having a retirement plan, whether it includes a 401(k) or other financial products, is key to building a retirement safety net. According to PwC’s Retirement in America report, one in four Americans have no retirement savings. With SRI-oriented mutual funds plans, employees can build a retirement savings that avoid fossil fuels, tobacco, and firearms. They still hold many Fortune 500 companies, and push these companies to improve on their social and environmental performance.

Easily accessible and ethical retirement programs could make a major contribution to making saving for

retirement far more egalitarian than it has been historically.

### How to Approach Your Employer for SRI Options

An employer offering an ethical, comprehensive, and progressive 401(k) plan may seem like a no-brainer.



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—Jeff Scales,  
JSA Sustainable Wealth  
Management



“Many companies don’t offer SRI plans,” says Teplitz, “even when they would boost employee morale and loyalty. That’s why Green America and Social(k) created this great resource to help employees vouch for SRI plans at work.”

Follow these steps from Green America and Social(k)’s Plan for a Better Future (link):

- ❑ Educate yourself about SRI, including its benefits, example

SRI example providers, and data on SRI performance. A good place to start is The Forum for Sustainable and Responsible Investment’s (US SIF) Resource Guide for Plan Sponsors.

- ❑ Identify and meet with co-workers who share interest in having ESG options in your 401(k) plan. This can be done via informal emails or a Slack message, staff meetings, or wherever your water cooler conversations happen.
- ❑ Schedule a meeting with HR and plan a presentation detailing why employees want greater investor choice and why you are requesting SRI options.
- ❑ Continue following up with HR after your presentation. As Scales boldly puts it: “Don’t take no for an answer.” Especially since the Biden administration has proposed a new rule to make adding ESG options to an employer’s retirement plan easier, according to the Federal Register

Visit [investyourvalues.org](https://investyourvalues.org) for resources to launch conversations with your employer about offering SRI retirement options. The site includes information on the retirement plan offerings at several large employers and more corporate employers will be added. Even if your employer isn’t currently listed, you can still use the employee tips provided wherever you work.

“It’s going to take a huge amount of education and an enormous activist movement to drive this change [to widespread availability of SRI retirement plans], but if we did that, the shift of capital would be immense,” says Scales. “We must insist in all the products and services that we choose—as consumers and investment professionals—that they provide us with carbon disclosure, compensation practices, diversity & inclusion information and more. And if we don’t like what we see—we need to engage, speak up and in some cases divest.” 🌱