

Profitable INVESTING Tips

Stock Market Investing Tips, Techniques, and Resources



Does ESG Investing Work?

By www.ProfitableInvestingTips.com

ESG investing is one of a class of sustainable investing practices. ESG stands for environmental, social, and governance. When you engage in this manner of investing you look for companies that are well-governed, follow positive social practices, and help (or at least do not hurt) the environment. While this way to invest is a positive social force, does ESG investing work to increase your investment assets? Or is it a way to give to charitable causes while being disguised as a way to invest? Will you make money investing this way or would you do better simply giving your money to a cause that you support?

ESG Investment Considerations

Why is anyone interest in ESG investing? Many investors and millennials especially want to use their assets to do good in the world besides making money. Thus they consider both the financial impact of their investments and the social and environmental aspects as well. The first consideration for most ESG investors is if the company causes harm to the environment or our social fabric. The next issue is honest and reliable governance. If a company does not make the grade, it is avoided. The next step is to look for companies that have a positive impact. Such investments include clean energy companies, those that work to provide necessary services at affordable rates, and those that lead in reducing toxic emissions by creating new products and processes.

Incorporating ESG Into Investment Strategies

There is no rule saying that you need to dump all of your investments and find some gold standard ESG investments in the moment. The best route for incorporating ESG into investment strategies is to look at your current investments. One by one, look at their effects on society and the environment. Are they well-governed? Any ones that obviously do not fit in your ESG strategy can be sold and the money parked as cash or short term bonds. Then, start looking for suitable ESG investments. You do not need to make a one-to-one transition but rather pick the best ESG options a little at a time as you learn the process.

Investing in ESG Funds

A useful way to get into ESG investing is to let experts pick your investments. Investing in ESG funds with companies like Fidelity and Vanguard lets you put your money to work in the right areas without having to become an immediate expert in ESG companies. Many investors are happy staying in ESG funds. Others will do more research, typically looking at the companies in the funds, and start picking ESG stocks on their own. If you have a specific interest in a cause such as green energy, this can become your next stop after starting out with ESG funds.

What Is the Difference Between ESG and Impact Investing?

Investors who want to make a difference and not just avoid “bad” investments will commonly move from ESG investing to impact investing. Here is where you will use your investments to fund new research, processes, and technique that will clean up the environment, avoid pollution, or make necessary services available to the poor of the world. Clean water, affordable health care, clean energy and more fall into this approach. The difference between ESG and impact investing is in looking for a specific result instead of simply avoiding “bad” investments.

Advantages of ESG Investing

The advantages of ESG investing are two. Your money has a positive impact on the world. And, you typically have profitable investments. So, how does ESG investing work to make money as well as to do good? The answer lies in the governance part of ESG. Well-run companies are typically profitable companies. The “performance penalty” for socially responsible investments is small. What you need to look out for are companies that have a great story but are not well-governed. These can border on being scams. Here is where you need to do your research and pay attention as you go.

The Rise of ESG Investing

Socially responsible investing dates back at least fifty years and has gained momentum as issues like climate change and social injustice have come to the fore. Back when you had to pick and choose your investments one at a time, ESG investing could be difficult but today there are reputable ESG funds and lots of useful advice available. As the millennial generation comes of age, we can expect to see the rise of ESG investing continue as money is put to good and profitable use by smart and concerned investors.

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