

How Conscientious Employers Can Offer Responsible Investment Options In Retirement Plans



Did you know that responsible investing can be a great tool for recruiting and retaining top talent for nonprofit organizations?

Let me explain, starting with the definition of responsible investing.

Responsible Investing is the investment process that integrates the pure financial dimensions of return and risk with Environmental, Social and Governance factors (**ESG factors**)

<https://www.investopedia.com/terms/s/sri.asp>.

Now, consider the following situation:

Imagine a mid-sized nonprofit organization (about 100 employees) that is dedicated to gender equality. The organization works on advocacy, education, and leadership development to empower women worldwide. The organization's current approach to recruit and retain smart and dedicated employees includes offering flexible work schedules and generous benefits - including great employer match on 403b retirement plan - to complement for middle-of-the-road salaries.. The organization offers its employees a variety of retirement investment options options that meet basic needs and requirements through a well-regarded plan advisor.

BUT – the investment options include a number corporations that show a total disregard for issues of gender equality. In fact, some have received national attention for causing HARM to women, including lack of women leadership, indifference to sexual harassment claims, family-unfriendly leave policies, etc.

Because the plan advisor is unaware of the organization's mission and core values, they may not have considered responsible investment strategies in their offerings. As a result, the employer and employees are unaware of the contradiction between values and investments. Indeed, most people are unaware of it in general ([link to Marcio's LinkedIn article – compliance approved but yet to be published](#)).

So what employers do?

Why not shift to offer some investment opportunities that align with organization values of gender equality?

The benefits from responsible investing include:

- Strengthened commitment to organizational mission and values.
- Increased buy-in among employees for organization's public stance and action.
- Enhanced individual commitment to mission by employees who can now ensure their investments align with their personal values.
- Addition of a powerful tool for employee hiring and retention.

This is particularly relevant in managing a work force with a large proportion of Millennial and Gen Z employees who deeply care about these matters. It is a cost-effective way to signal the moral integrity of the organization to both employees and donors.

The fact that most non-profits are not more engaged with Responsible Investing is because of a **blind spot in the employer sponsored retirement plan industry.**

(<https://www.investmentnews.com/article/20190316/FREE/190319951/esg-options-scarce-in-401-k-plans>). There is a concern that ESG funds might complicate their required plan oversight.

Taking into account ESG factors align the investments of its employees with the organization's values. The money invested is going to fund the corporations that are a better match for the organization's mission.

If you or your employer are interested in aligning retirement plans with your organization's and employees' values, I recommend the following next steps:

- **Survey** its employees to learn if they have a preference for integrating ESG Investments into the options available in the organization retirement plan.
- **Ask** firm's financial advisor to deliver a **presentation** on responsible investment options.
- **Seek out** a new retirement plan **advisor with expertise** in this area.