FINANCIAL JOURNEYS

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Investing in social enterprises: purpose and profit

How investors can support causes they care about while pursuing financial returns

Charitable donations aren't the only way you can support missions close to your heart. Your investments can also advance goals and issues that matter to you. A growing number of companies, often called social enterprises, build a charitable mission into the business itself. Investing in them is a potential two-for-one deal: You advance a social goal and achieve a return.

WHAT SETS THESE COMPANIES APART

A social enterprise is a business that advances a social or environmental mission and often structures itself to stay accountable for that mission. The most common form is the benefit corporation, known in some states as a public benefit corporation. Social enterprises often ask directors to balance mission and financial performance, and many publish reports on the social impact they achieve.

Investors can find social enterprises in several industries. For example, in retail, companies may give a percentage of sales revenue to nonprofits aligned with their mission or donate a product for every sale. Similarly, service-oriented businesses may channel a portion of their funds directly to causes chosen by clients.

Some benefit corporations also carry Certified B Corporation status, a third-party certification from B Lab that verifies social and environmental performance, transparency and accountability. The certification is distinct from legal structure, and a company can be certified without necessarily being a social enterprise.

Investing in social enterprises: purpose and profit (cont.)

Social enterprises also differ from the charities you donate to. Unlike a nonprofit, a social enterprise can raise equity, return profits to its investors and grow like any other business. And because your money buys an investment rather than makes a gift, you can't claim a charitable deduction for it.

HOW YOU CAN INVEST

A handful of benefit corporations are publicly owned, so you can buy their shares much as you would any listed stock. Many more remain private, and you would acquire shares by purchasing into private placements or private equity funds that target mission-driven companies. Some funds focus specifically on benefit corporations and similar enterprises.

WHAT TO WEIGH

A dual mission cuts both ways. A company bound to a social purpose may pass up profitable opportunities when they conflict with its mission. But that same commitment can also be a competitive advantage, building customer loyalty, attracting and retaining employees, and focusing the company on the long term in ways a purely shareholder-driven competitor might not.

If a company's mission matters to you, look for a mission-lock provision, a governance feature that makes it harder for the company to abandon its stated purpose. Such a feature could require a supermajority shareholder vote to amend the purpose clause, or the company may be owned by a trust or foundation that preserves the mission across changes in control. Not every social enterprise has this kind of protection.

PART OF A BROADER STRATEGY

Investing in a social enterprise is just one part of a broader purpose-driven investment strategy. Another approach is values-based screening, in which investors evaluate companies based on how they operate or what they produce. With a positive screen, you would identify and invest in companies that align with your values; negative screens exclude those that don't.

Through approaches like these, purpose-driven investing enables you to both earn a return and make a positive impact. ■

Retiring to a different state

A retiree's checklist before moving to another state

Whether you're escaping rough winters, chasing cooler summers or getting closer to the grandkids, it helps to think through all the implications of a retirement move before crossing state lines. Here are a few tips to evaluate the move and make it work:

VISIT ACROSS SEASONS
A place you love in May may not be the place you'll want to be in February.

DO THE TAX MATH
State income, property, sales, and estate taxes vary widely and can reshape your budget.

CONFIRM THAT YOUR COVERAGE TRAVELS
Medicare Advantage and Medigap plans don't always work the same way across state lines.

UPDATE YOUR LEGAL DOCUMENTS
Powers of attorney, wills and trusts may need redrafting under your new state's law.

DON'T STACK BIG CHANGES
If retirement or a major loss just happened, give yourself time before moving.

PLAN YOUR SOCIAL LANDING
Look up clubs, faith communities or hobby groups you can join when you arrive.

Three questions for evaluating the quality of your retirement life

Optimize quality of life in your retirement by answering these three questions

Your retirement income may be secure and flowing just as you intended, but financial preparedness alone doesn't guarantee a fulfilling retirement. According to MIT AgeLab, living well in retirement requires more than a strong balance sheet. To gauge your readiness for this next chapter, researchers developed three deceptively simple questions that can help reveal how prepared you are to live well in retirement:

1. WHO WILL CHANGE MY LIGHT BULBS?

Some retirees enjoy the upkeep that comes with owning a home; others would rather spend the time elsewhere. There's no right or wrong answer. The harder question is what you'll do when the choice is no longer yours: when balance, strength or stamina make getting on a ladder a more dangerous proposition than it was at 50.

With fewer children per family and higher divorce rates than past generations, baby boomers can't always count on the family help that prior generations took for granted. That makes it worth thinking early about what you'd want if your independence at home started to slip.

Would you stay put and build a network of friends and paid help around you? Would you move to a continuing-care or assisted-living community? Or would you take a different path altogether? Whichever path you choose, the key is to plan for the practical support that helps keep home safe, comfortable and manageable as your needs change.

2. HOW WILL I GET AN ICE CREAM CONE?

This question is about independence of movement – specifically, the freedom to walk or drive to places you want to go, whether that’s to enjoy some ice cream, see a movie or visit your favorite beach.

Are you living in a community where all your favorite activities are a short walk or drive away? Do you have your own car or access to transportation that can get you everywhere you want and need to go?

Mobility is critical to well-being. Your ability to take care of errands, go to appointments, see friends and participate in community life supports your emotional health, resilience and quality of life, according to research.

That’s why, if you can’t drive, it’s essential you live in an age-friendly community, where public transit and rides from family, friends and ride services help maintain social connection and daily functioning.

3. WHO WILL I HAVE LUNCH WITH?

Social connection is an often-overlooked aspect of retirement readiness. Something as simple as sharing lunch with friends, family or new acquaintances can be a sign of a strong social network. And numerous studies show that strong social connections and in-person interactions are critical for healthy aging, brain health and overall well-being. Does where you live enable you to enjoy existing social connections or build new ones?

Retirement often shrinks the social network you built through work or raising a family, so the effort to maintain other connections matters more than ever. Take stock of your social fabric. Are family and longtime friends within easy reach? Do you have regular opportunities for socialization, like a weekly walking group, a faith community or a volunteer commitment? Does your neighborhood offer gathering places like cafes, parks, libraries or community centers where casual connections can grow?

Financial security may be the foundation of retirement, but what you build on top of it matters too. A fulfilling retirement also depends on having a home that supports your needs, reliable ways to get where you want and need to go and meaningful connections with the people who enrich your life. ■