CORNERSTONE Financial Planning

Winter 2016

News & Notes

SRI; ESG; FFF– Unpacking Responsible Investing

We're working more diligently here at Cornerstone to understand the nuances of various types of responsible investments for those clients who wish to take a stand on the kinds of companies they will own. The field has expanded and the approach evolved from just excluding certain companies in a portfolio (for example weapons) to owning those who operate in a way that reflects one's personal values.

SRI – Socially Responsible Investing – is the oldest category of responsible investing and its focus has been solely on negative screening; that is, to avoid the "sin" stocks such as alcohol, tobacco, firearms, and gambling.

ESG – Environmental, Social, Governance – is a growing area of interest for responsible investing. Companies aren't necessarily excluded from a portfolio as with SRI but are analyzed and evaluated for their impact on the environment, how they treat their employees and how the corporation is structured in terms of board diversity, compensation practices and other areas of governance.

FFF - Fossil Fuel Free – in an otherwise diversified portfolio, the manager excludes those companies directly involved in fossil fuel exploration and production and may seek to add clean energy alternatives.

Lastly, advocacy work is highly prized, yet done by few fund managers that hold themselves out as servicing any of the above categories. Advocacy involves owning stock in a particular company in order to file shareholder proposals and engage in dialogue with management to bring about desired change. Green Century Funds (also FFF), Trillium Asset Management, Pax and Calvert are among our favorites in this category. Feel free to speak with us about designing a more responsible portfolio for your investments.

> "Corporate Social Responsibility is a hard-edged business decision. Not because it is a nice thing to do or because people are forcing us to do it . . . because it is good for our business." N. Fitzgerald Former CEO, Unilever

Roller Coaster Markets

We enjoyed a relaxed and uneventful 4-day weekend at home over the Thanksgiving holiday. No commitments, social or otherwise; we didn't even cook a turkey! The weather was delightfully un-inviting so I plowed through Anthony Doerr's "All the Light We Cannot See". The story takes place in France while occupied by Hitler's Third Reich. From this I discovered an interest in WWII history. Having never been much the student of history (English major that I am) most of what I know of this period came from other novels. I found Carlson and Turner Antiquarian Books in Portland had shelves piled high in the section devoted to this subject. History book in hand, atlas before me, I've traced the course of enemy troops. I've read how fiercely unwavering was the British spirit while London was under attack, and the sacrifice so many millions made of their lives and their lifestyles.

Given my line of work I got to wondering what the stock market was up to during these distressing and uncertain times. In one short month as Hitler invaded Poland in September of 1939, the Dow rose nearly 20% (with help from a hyped-up press – "war is good for stocks!") By mid-June of the following year (1940) the initial exuberance of the markets faded and the Dow plunged 25% in a month's time as the French succumbed and surrendered to German power. Then in the fall it rallied 22% following the Battle of Britain. As the US entered the war late in 1941 and Fascism enveloped much of Europe, investors shunned stocks though they offered a 9.5% dividend yield! From a peak of 155 in 1939, the Dow set a low of 92 by April of 1942 – a 40% decline. Over the succeeding 24 years the Dow logged a 978% total return. ~Susan

"Never in the history of human conflict was so much owed by so many to so few" Winston Churchill

HELP FOR THE MILLENIALS

The next generation of investors are here (and need help!) As a millennial myself, I can say this - my generation needs financial guidance and support. We have some real problems; currently as the largest generation in the US and the most educated generation in history, the average college debt for a millennial is $33,000 and the median household income hasn't increased since 1999. The unemployment rate for millennials is about 13% and remains stagnant while the national unemployment rate continues to fall to below 5%. We make less, have more debt yet need to save more than past generations. Young investors are more risk averse as we have seen our parents lose jobs, lose equity in our homes and experience extreme market declines. In combination with tamer market returns millennials need financial planning and they need to start now.

If one begins saving $200 per month at the age of 25 vs. beginning at age 35 (assuming a 6% rate of return) the ending balance 40 years later will be nearly double what it would be for the late starter.

We want to help; Cornerstone is working to develop a new service model to be offered to the next generation of investors (in addition to our current services: those are not changing). We will be offering ongoing financial services that focus on cash flow, budgeting and saving; with the hopes of establishing good financial habits. We will provide investment advice and review with an emphasis on sustainable investing. Millennials, more than any other generation, ranked 'ESG' factors equally as important as investment return and 84% of millennials want sustainable investment options. Roll out of the new model is expected the 2nd quarter of 2017. Stay tuned for more information!

CORNERSTONE HAPPENINGS

Jill and Jeff are off to see their youngest graduate from Ohio State. Armed with a electrical and computer engineering degree Max is already employed!

Susan and Vinnie's son Alex is driving straight through from Minneapolis to Portland as we write this letter. He sold his home and hopes to resettle in his favorite state of Maine. Mom and Dad are pretty excited to have him return.

Carrie has a new love—Simone Catherine, an 8-month spotted tabby, a birthday gift from spouse Jason!

Taylor just celebrated her first year anniversary here with us at Cornerstone. So this will be her second winter in Maine—very different from California! She has expressed an interest in studying to become a Registered Financial Paraplanner™.

Mackenzie looks forward to building her annual gingerbread house (from scratch!) Last year it was a gingerbread lighthouse; we shall see what this year brings!

Cornerstone is seeking a full time CERTIFIED FINANCIAL PLANNER ™ for our Newington office. And this year, instead of going out to dinner with everyone to celebrate the holiday, Jill and Jeff hosted us at their home in Newington and we all enjoyed a catered meal.

Winter Reading List

Tom Brokaw's **"The Greatest Generation"**

Nate Silver's **"The Signal and the Noise"**

Colson Whitehead's **"The Underground Railroad"**

"Dark Money" by Jane Mayer

Toltoy's **"Anna Karenina"**

"A Man Called Ove" by Fredrick Backman

The Cornerstone Team

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FROM THE WHITE HOUSE COUNCIL OF ECONOMIC ADVISORS

Millennials . . .

Are now the largest, most diverse generation in the U.S. population; one-fourth in the US speak a language other than English at home;
Value community, family, and creativity in their work.
Have been shaped by technology.
Will contend with the effects of starting their careers during a historic downturn for years to come
Are staying with their early-career employers longer
Women have more labor market equality than previous generations
Tend to get married later than previous generations
Are less likely to be homeowners than young adults in previous generations
College-educated Millennials have moved into urban areas faster than their less educated peers.
Median income for millennials in the US who are year-round, full-time workers is $33,883