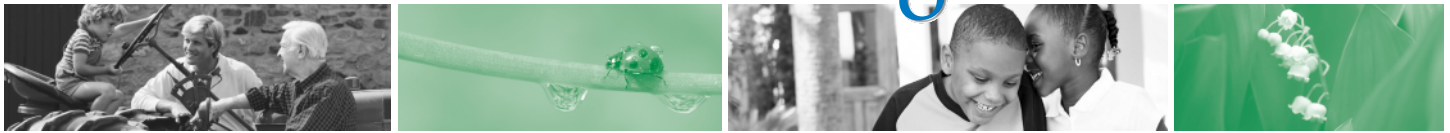


Affirmative Thinking



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SRI: Transforming the Global Economy

Christine A. Renner | Executive Assistant to the CEO

The 17th annual SRI in the Rockies Conference was the largest and, to many, the “best ever!” Presentations focused on the theme of using investment capital as a tool for transformation.

Of course, the underlying assumption is that our global economy is in need of transformation. Many speakers offered evidence to support the contention that our current economic system has not met its promise to lift the world’s poor out of poverty, and that conventional business practices have contributed mightily to an alarming rate of climate change.

The scientific evidence is now overwhelming: climate change is a serious global threat, and it demands an urgent global response. Speakers rec-

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Retirement: Don’t Kid Yourself

R. Kevin O’Keefe, CIMA®, AIF® | Chief Investment Officer

Is your retirement plan based on sound assumptions? Some people think they will be all right in retirement even though their retirement savings are small.

Flawed Assumptions

1. “I’m going to work.” Survey data shows that about 70% of baby boomers expect to work for pay after retiring. How realistic is this? What if you aren’t able to work? Many workers age 60+ find it hard to keep the jobs they have now—never mind finding new jobs in retirement. Recent independent studies suggest that this may not be the wisest retirement plan:

- A McKinsey & Co. study found that 40% of retirees surveyed stopped working earlier than planned, mostly because of layoffs or poor health.
- The Employee Benefit Research Institute found that only 27% of surveyed retirees had ever worked for pay while in retirement.
- A Pew Research Center study showed that only 12% of current retirees are collecting a salary.

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Tax Tips, 2007-Style

- April 15th lands on Sunday. You have one extra day to complete your tax return.
- Maximize contributions to tax-deferred savings plans.
- Deductions, tax brackets, contribution limits, etc. change often. Don’t assume everything will be treated in 2007 as in past years.
- If you purchased a hybrid car or energy-saving home improvements in 2006, you may qualify for a deduction.
- Each year, more taxpayers fall subject to the Alternative Minimum Tax. Talk with your tax adviser to learn if the AMT affects you.

SRI: Transforming the Global Economy

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ognized a need to simultaneously reverse the causes of climate change and prepare for the impacts of changes already occurring. One obvious impact is the increasing intensity of hurricanes. David Korten, founder of Positive Futures Network, put numbers to the problem: “From the decade of the 1950s to the first five years of the 21st century, the annual average of weather-related natural disasters increased from 24/year to 350/year.”

Socially conscious investors are leading the way by encouraging companies to think and plan ahead. The things that get measured get managed, and now that we are beginning to measure the various aspects of climate change, we can see action being taken in both the public and private sectors. Conference presentations illustrated how the financial sector, especially the insurance industry, is beginning to recognize both the challenges and opportunities that come with dramatic climate change.

Several conference speakers made the point that adjustments at the margin are not enough—that we must transform the global economy in a way that prioritizes life values over financial values. Transforming the global economy will require commitments in both the public and private sectors. We need political leaders and corporate executives with the will to change business strategies to address social problems. We need to develop more corporate cultures that integrate corporate responsibility in everyday business practices.

The recent report out of London from former World Bank chief economist, Nicholas Stern, calls climate change “the greatest market failure the world has ever seen.”

The Stern Review on the economics of climate change predicts that climate change will affect the basic elements of life for people around the world—access to water, food production, health, and the environment. Hundreds of millions of people could suffer hunger, water shortages, and coastal flooding as the world warms. All countries will be affected. The poorest areas of the world will suffer earliest and most, even though they have contributed the least to the causes of climate change.

Efforts within the SRI community to funnel money to underserved communities around the globe may play an important role in mitigating future negative impacts.

The 2006 SRI in the Rockies Conference was once again a reminder to us all that there is a growing financial community working to address these important issues from a place of dedication, inclusion, and action.

SRI in the Rockies is produced by First Affirmative Financial Network in partnership with the Social Investment Forum.

2) **Affirmative Thinking** Winter 2007

The Moskowitz Prize

The 2006 Moskowitz Prize for outstanding research in the field of socially responsible investing has been awarded to Brad Barber of the University of California at Davis for his paper “Monitoring the Monitor: CalPERS’ Shareholder Activism.”

Over the years, numerous studies have explored the impact of CalPERS’ corporate governance program on stock prices. Some have argued that the program has added significant value, while others have found a less powerful effect, and still others have questioned whether there is a “CalPERS Effect” at all.



The award winning study looked at the stocks on the annual CalPERS Focus Lists from 1992–2005. Based on short-term announcement reactions, Barber shows that CalPERS activism during that time period resulted in total wealth creation of \$3.1 billion.

Social investors and corporate governance experts are concerned that management teams need to be held more accountable to shareholders. This study shows that CalPERS (California Public Employees’ Retirement System), the largest pension fund in the world, has derived investment performance benefits by doing just that.

Retirement: Don't Kid Yourself

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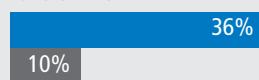
Often, what people say they will do and what they actually do aren't the same thing. Many boomers will undoubtedly work in retirement, but it's risky to plan on earning a regular paycheck when you are in your 70s.

2. "My retirement savings are in my home." The consulting firm Spectrem Group found that about two-thirds of baby boomers with investable assets of \$500,000+ plan to finance their retirement with the equity in their homes.

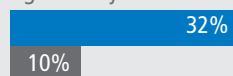
Unrealized Expectations

The figures below illustrate expectations vs. reality for different methods of meeting expenses during retirement.

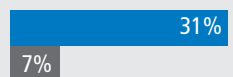
Take on work



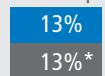
Significantly reduce discretionary spending



Downsize home/relocate



Home-equity loan/reverse mortgage



* An additional 25% of retirees are considering it.

■ Pre-retiree expectation ■ Retiree reality

Source: McKinsey & Co.

Relying on home equity to fund retirement offers two options: 1) trading down to a less-expensive home, or 2) borrowing against home equity.

What if interest rates rise? What if your home doesn't appreciate in value? A home may not be a good substitute for retirement savings, because, at best, you will be able to access only a portion of your equity, and the terms may not be favorable.

When the time comes, will you actually want to pack up and move to a smaller residence? In reality, most Americans prefer to remain in their homes and communities as they age. If you are serious about trading

down, then the sooner you do it the better—because that will give you a head start on reducing expenses and building up savings.

Adapted from "The Retirement Lies We Tell Ourselves," The Wall Street Journal, by Glenn Ruffenach, December 1, 2006.

Energy: Our Master Resource

Energy is the one ingredient essential for every economic activity. The supply of cheap energy from oil is tightening, and humankind's enormous output of greenhouse gases is disrupting the earth's climate. Together, these constraints could hobble global economic growth.

And, there is growing recognition that the U.S. economy and foreign policy are poorly served by the country's reliance on Middle East oil. In December, yet another campaign was launched in the United States for a new national energy policy, led by Securing America's Future Energy (SAFE).

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UN Declaration on the Rights of Indigenous Peoples

In November 2006, Namibian delegates to the United Nations successfully delayed the adoption of a final version of the Declaration on the Rights of Indigenous Peoples. Canada, New Zealand, Australia, Botswana, and Nigeria supported the delay, fearing they might face increased litigation as the rights of indigenous peoples are recognized.

In July 2006, the UN Human Rights Council had recommended approval of the Declaration, a project that has been in the works for 24 years and aims to affirm the rights of indigenous peoples to language, nationality, life, physical security, protection of the environment, and the right to own, use, and develop lands and resources they have traditionally occupied.

The Declaration is non-binding, but signifies an important step toward placing international pressure on governments and private companies whose actions impact the 370 million indigenous people throughout the world.

The rights of indigenous peoples are gaining greater attention in the SRI community, with some mutual fund companies adding screens and promoting shareholder advocacy campaigns that address the rights of indigenous peoples.



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Past performance is never a guarantee of future investment results.



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Nobel Peace Prize Awarded to Yunus

Microcredit pioneer, Muhammad Yunus, accepted a 2006 Nobel Peace Prize in December, saying he hoped the award would inspire “bold initiatives” to fight poverty and eradicate the root causes of terrorism. Yunus, 66, a former economics professor, shared the award with his Grameen Bank for helping people rise above poverty.

The Grameen Bank was the first microcredit lender—giving very small loans to poor Bangladeshis who did not qualify for funding from conventional banks. Most of the loans go to women who use the income from their microenterprise to support their families’ basic needs, create jobs, and become empowered community members.

No collateral is needed, and repayment is based on an honor system. Having worked with some seven million families since 1983, repayment rates are close to 100%. As the loans are repaid, the funds are re-lent.

“I firmly believe that we can create a poverty free world if we collectively believe in it,” Yunus said after accepting the prize in Oslo, Norway. “The only place you would be able to see poverty is in a poverty museum.”

Yunus said ending poverty was the best way to fight terrorism. “We must address the root causes of terrorism to end it for all time,” he said. “I believe putting resources into improving the lives of poor people is a better strategy than spending it on guns.”

Energy: Our Master Resource

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The SAFE coalition, headed by former defense and foreign policy leaders and corporate chief executives, is predicated on the idea that energy policy is a crucial national security concern. SAFE’s entry into the debate reflects energy issues’ imminent return to national policy attention in 2007.

For years the myth has persisted that a rapid transition to clean energy would be expensive and painful. A recent study by the RAND Corp. shows that the economy would likely benefit, rather than be slowed, if the nation achieved the goal of supplying 25% of its energy needs from renewable sources by 2025.

The RAND study examined 1,500 scenarios and estimated that if the cost to produce renewable energy continued to fall at its current rate, renewables could provide 25% of the nation’s power by 2025 at no additional cost to the economy. If costs fell at a faster rate, the nation could save \$30 billion in energy costs by 2025. Even if renewable energy costs grew slightly and oil prices fell further than expected, any negative drag on the economy would be slight.