

The Examiner

Prudent Portfolio: Tis the Season for Financial Self-Assessments

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Tis the season to be jolly, fiscally responsible and well-informed regarding potential adjustments to our financial portfolios.

In the midst of our holiday observations we also should take a moment to assess where we stand financially at the end of a year that saw a significant share of ups and downs. The stock market rose, it fell, it recovered, then teetered and tottered. Where are we as individual investors?

An objective review of our portfolios should be the first order of business to prepare for possible revisions to launch a new financial year.

With the recent media attention on the global warming conference in Paris, it may be a good time to consider socially responsible and/or environmental investing. There are myriad ways to combine social responsibility with good investment strategies.

For instance, you may want to investigate industries that focus on clean water options, such as filtration systems, desalination plants and all the components that go into them, or perhaps anti-pollution strategies. As the earth's population grows, clean water is becoming scarce in many locales and the means of providing water to the thirsty already is a top priority.

Socially responsible investing has long been attractive to many investors. In 1989 socially responsible companies' performance lagged behind the S&P by 1.1 percent. But since 1990, the social index (MSCI KLD 400) returned an average annual total return of 10.46 percent compared with the S&P 500's 9.93 percent.

Many investment firms help their clients select options that mirror personal environmental and social views. For instance, investors can do in-depth analyses of a company's history of social consciousness and environmentally sound practices, including compliance with clean air and water regulations.

Investors can make sure their dollars don't go to firms that have poor reputations in environmental compliance and can consider investing in companies competing with those with poor records. Investors who want to purchase securities that have been screened for Environmental, Social and Governance (ESG) criteria can even do so through so-called socially responsible mutual funds.

Perhaps you already have been investing with an eye toward social and environmental awareness and are well-represented in that area. Nonetheless there will always be an ebb and flow to certain industries and individual companies within those industries. A portfolio review should disclose those investments performing well and those that are not.

Another benefit of a year-end portfolio analysis is that it could reveal opportunities for a "tax swap," selling an under-performing stock at a loss and purchasing stocks of equal value that have a better outlook for a positive performance in the coming year. For some, tax swaps may be a good way to rid a portfolio of an underperforming security while qualifying for a tax deduction for the loss at the same time.

While we're speaking of taxes, in this time of giving you may also want to consider donating securities that have increased significantly in value over the last year or more. The beauty of this donation is that your cost remains what it was when you purchased the securities, but the tax deduction is for the current value.

Since the calendar year is about to end, there may be a sense of urgency in ensuring that our financial houses are in order. But there still is time to get in a thorough review of our portfolios, plan out our taxes and make any necessary adjustments. We can adjust for today and even decide to open a retirement account if the time is ripe. These are options that may require some additional help from financial experts but creating a 401(k) account in the final weeks of the year is your way of giving yourself the gift that keeps on giving.

While many business matters are put aside, albeit temporarily, during the holidays, your financial foundation is a high priority for a successful life, and a timely review should not be delayed.

There are myriad options available and, like the gifts piled under the tree, the world of finance is heaped with opportunities.