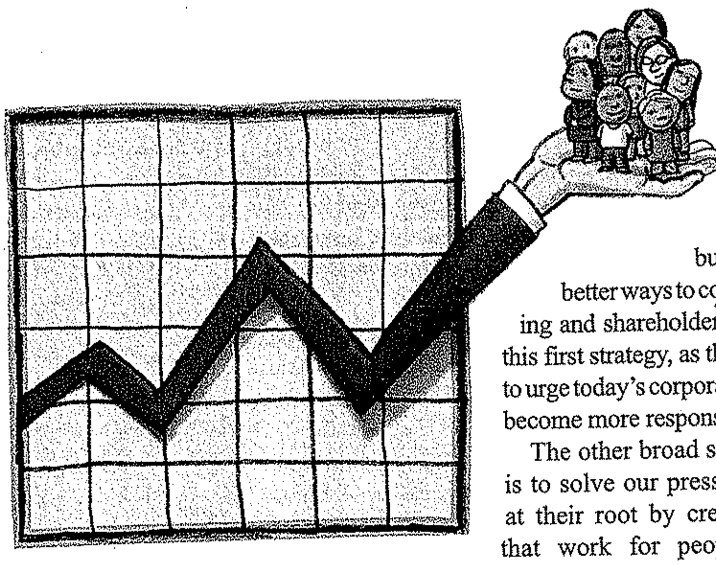
Take a closer look at how socially responsible investing works—and how your investments really *can* do well while doing good.

Make Money and Make a Difference

by Tracy Fernandez Rysavy



In these times, many of us are struggling to find ways to make a difference—to ensure that people in the US and around the world can live safely and securely in healthy, sustainable communities. By directing your money into socially responsible investments, you can be a part of a $2.29 trillion movement that's helping to shape a more just, environmentally healthy, and peaceful world.

Socially responsible investing (SRI) means integrating your social and environmental concerns into your investment decisions—whether it's refusing to buy stock in companies with dismal environmental records; asking a corporation you own stock in to stop doing business with oppressive regimes; or investing in women's economic development in the US or India. SRI incorporates a three-pronged approach to promote business practices that are good for people and the environment: screening, shareholder advocacy, and community investing.

1. Screening is the practice of including or excluding stocks from investment portfolios or mutual funds. Avoidance screens keep investments that violate your social or environmental criteria out of your stock portfolios and mutual funds. Affirmative screens search out investments that support business practices in which you believe.

2. Shareholder Advocacy describes the actions many investors take—using their status as part-owners of corporations as leverage—to press for greater corporate responsibility. These include: dialoguing with companies on issues of concern, as well as submitting and voting proxy resolutions that ask company management for changes.

3. Community Investing programs provide capital to people in low-income areas at home and abroad who find it difficult to access funds through conventional channels. These investments improve local communities and help economically disadvantaged people lift themselves up economically.

How SRI Works

So how does SRI make a difference? On a broad scale, there are two equally necessary strategies that are part of the movement toward a more just and sustainable world. The first is reducing damage and relieving suffering today, which buys us time as we find better ways to conduct society. Screening and shareholder advocacy are part of this first strategy, as they are powerful tools to urge today's corporations and industries to become more responsible.

The other broad social change strategy is to solve our pressing global dilemmas at their root by creating new structures that work for people and the planet. Community-based investment fits here because it allows people in economically distressed areas to have a hand in rebuilding their own communities.

Today, the collective clout of SRI investors is probably the strongest driver for corporate responsibility and accountability that we have in the US. Below, we'll take a closer look at how each of the three SRI strategies works for social change.

Screening for a Better World

The most profound impact screening has on the corporate world is that "it has led directly to the dramatic growth of systematic research into corporate social impact," says Amy Domini, president of the Domini Social Equity Fund.

"Ten years ago, SRI data was hard to come by and hard to interpret. Today, corporate social responsibility pages show up on Web sites and in annual reports. The responsibility of business is on everyone's lips. The SRI industry has exploded in size, credibility, and thought."

Corporations now hear from research firms and investment companies asking about environmental impact, product safety, labor practices, diversity programs, employee pay scales, purchasing standards, and more, says Domini. By constantly putting these issues on the table, social investors force corporations to focus on more than just their bottom lines.

In short, when you invest in a socially responsible mutual fund, use an SRI money management firm, or screen your own portfolio, you add your investment dollars to SRI's impact, telling companies and Wall Street alike that they have to clean up

Setting Retirement Goals

With the security in Social Security slipping and pensions shrinking as employers re-examine benefits packages, financial advisors are urging us to save early, save often, and save now. Figuring retirement income into your financial plan is essential. How much you set aside for retirement depends on your age, income, when you plan to retire, and how much money you want to have when you do so. Below are a few options for making the most of your retirement savings. (Also see the "Retirement Goal Worksheet" on p. 27.)

IRAS: Anyone who can afford to set aside even a small amount of money should invest in an Individual Retirement Account (IRA)—and the sooner, the better. If you're employed or self-employed, you can establish a Traditional IRA and contribute up to $4,000 a year ($5,000 if you're over 50) while claiming a tax deduction for that amount if you qualify (see the chart below for eligibility). No tax is paid on any of the dividends, interests, or gains in your account until you withdraw funds—and upon retirement, your tax bracket may be lower.

Another option is the Roth IRA. Unlike a traditional IRA, contributions to a Roth IRA are not tax-deductible. But also unlike its traditional counterpart, the Roth IRA allows for tax-free qualified withdrawals.

IRAs can take the form of different investments, including bank certificates, mutual funds, and money market funds, all of which offer professional management of your investment. You can also choose a self-directed IRA where you or your financial planner buy and sell securities and manage your own investments.

Since the purpose of IRAs is retirement saving, withdrawals are generally subject to heavy penalties before age 59½. If you're over that age and still earning, IRAs make an ideal savings account since you can enjoy the tax advantages and are free from withdrawal penalties. You must start taking distributions at age 70½, though you may continue to contribute if you still earn wage income.

ANNUITIES: If you're concerned that your savings won't carry you through retirement, consider a fixed annuity. These are purchased from insurance companies with single or periodic payments—and they offer guaranteed monthly income for life. The income accumulates tax-deferred until you begin withdrawals, which are partially taxed.

When you retire, several payout options are available through annuities. A straight life annuity pays income monthly from retirement through death, with no benefits due to anyone at your death. A life annuity with certain installments pays you income for life with a specified minimum number of years, so that if you die, the balance of the income promised to you goes to your beneficiary. A refund annuity pays you for life or until the payouts equal the premium paid. If you die before then, your beneficiary receives a refund.

When choosing an annuity plan, compare companies and company ratings. Look closely for sales charges, service charges or loads, and other expenses. Since income payments on annuities are fixed, they may not keep up with inflation. Research the minimum interest rate guarantee, current interest rate, and withdrawal penalties.

OTHER OPTIONS: Look into employer-sponsored 401(k) with for-profit companies and 403(b) plans with nonprofit organizations. These plans allow savings to accumulate and compound tax-free until retirement. Self-employed people can open a SIMPLE (Savings Incentive Match Plan for Employees) IRA that allows you to save up to $10,500, with an employer match of up to three percent of your salary. A Simplified Employee Pension Plan (SEP) allows you to contribute 25 percent of your income or $45,000, whichever is less, on a tax-deferred basis. You can put your money in any of the investment vehicles you would use for an IRA, and the withdrawal rules are the same. You can contribute as long as you are earning income, even past age 70½. Because rules about these plans are complicated and change often, it's best to check with a tax planner or investment advisor first. **FPH**

Retire Securely in a Better World

When you choose socially responsible banks, money markets, and mutual funds to build your personal security, you are helping to steer society toward a better future.

Retiring Securely...

Here's how much money to put away each month if you want to retire at age 65 with a nest egg of $1 million.

These calculations assume that you invest in a mutual fund that maintains the long-term historic average of the stock market (10.9%) and that you don't take any money out of the fund until you reach the age of 65.

If your age is...	Save this every month
Newborn	$9.60
5 years	$16.15
10 years	$27.19
15 years	$45.81
20 years	$72.27
25 years	$130.67
30 years	$221.86
35 years	$379.29
40 years	$656.27
45 years	$1,160.22
50 years	$2,135.63
55 years	$4,271.65

...in a Better World

Choose socially responsible banks, money markets, and mutual funds if you want to build personal security and help steer society toward a better future. The good news is that more than 80 percent of the social investment mutual funds tracked by the Social Investment Forum achieve the historic stock market average—or better.

Bottom Line: A Little Adds Up to A Lot.

- Starting early makes all the difference—start today.
- If you didn't have the chance to start early, right now is the time to start.
- You might be able to live well in retirement on less—there are goals that are right for you and within your reach.
- It is possible to amass a fortune through simple, frugal living.

their act—and that you'll be watching every move they make.

For more information on screening, see "SRI Mutual Funds: A Study in Screening" on p. 15.

Shareholder Clout

Although screening data are developed mainly for investors, activist groups and shareholder coalitions also use it to develop their campaigns advocating for corporate change.

In particular, shareholder advocates use screening data to exert "a direct and powerful influence on corporate policy," says Fran Teplitz, Co-op America's director of social investing programs.

Here's how shareholder advocacy works: shareholder advocates—typically long-term holders of shares in companies that may have questionable environmental or social records—can use their clout to exert pressure on these businesses to improve. If large groups of SRI investors allow "borderline" companies into their portfolios, they suddenly have a new form of leverage to demand that these companies improve—namely, their status as part-owners of these companies.

Shareholders have special access to a company's upper management and can call for dialogues or even file proxy resolutions. Anyone with $2,000 in company stock that they've held for at least one year can file a resolution, which is basically a request to upper management that is put up for a shareholder vote at the company's annual meeting. Even if the resolutions don't win a majority vote—and few do—they let corporate managers know that hundreds of their shareholders want to see a change.

"Concerned shareholders can't be overlooked because they're not only part-owners of a company, but they also represent its customer base," says Teplitz. "In particular, shareholder resolutions are like warning shots across a CEO's desk. If the shareholders are unhappy, it's only a matter of time before that unhappiness is felt in the company's bottom line."

In 2006, shareholder activists broke previous voting records asking companies to take action on global labor standards, disclosure of political contributions, and sustainability reporting. Also, 12 shareholder resolutions designed to pressure companies to address the impacts of global warming and greenhouse gas emissions led to dialogues with the companies, without even having to come to a vote. For more on the 2006 shareholder season, see "Shareholder Resolutions" on pp. 19–20.

Mutual fund managers and investment companies also play a significant role in the shareholder action process. Stu Dalheim, manager of advocacy and policy at Calvert, says he sees consistent results from the companies who make it into the Calvert mutual funds, even though the companies may still have some problem areas. Dalheim has seen particular success with firms that haven't yet embraced corporate social responsbility (CSR).

"Engagement with some of these firms, via shareholder resolution and dialogue, has resulted in these companies agreeing to begin to disclose information about their environmental policies and programs," says Dalheim.

In short, when you invest in an SRI mutual fund or with an SRI money manager, you are literally hiring professional management to dialogue with companies and press them for change on specific practices. When you vote for social and environmental issues on the annual shareholder proxy ballots of companies you own, you are adding your voice for corporate change.

Community Investing

The third SRI strategy, community investing, involves putting your money into an economically disadvantaged area where people have difficulty acquiring capital through conventional lending institutions. Assets held and invested locally by community development institutions totaled almost $22 billion in 2006. This money funded local development initiatives, affordable housing, and small-business lending in many of the neediest urban and rural areas across the country and around the world.

Through community investments, investors are able to make a clear and direct impact on the lives of economically disadvantaged people. Investors do not need to direct a large portion of their portfolios to accomplish this impact. Co-op America and the Social Investment Forum recommend that at least one percent of every investor's assets be earmarked for community investing. If just one percent of the total managed assets involved in SRI were targeted to community investing, it would triple the total dollars directed toward low-income communities. In addition, many community investing vehicles are federally insured and offer market rates, such as banking with a community development bank or credit union. For more information, see "Banking on Communities" on pp. 17–18.

Do Well By Doing Good

Today, SRI boasts performance competitive with conventional investing today. Overall, the long-term goal for SRI is to create a market mechanism to reward better business behavior with higher stock prices and punish egregious behavior with lower stock prices. The market isn't quite there yet, but it's showing signs that this may someday be the norm. The latest analysis

True Tales of Social Investing

Nancy Miller, Denver, Colorado

In 1990, Nancy Miller became concerned about where her investments were going—especially about money invested in one particular chemical company. "I had read about horrendous things they were doing, like dumping chemicals, and it made me feel bad that I had any association with a company like that," she says. So Nancy decided to green her investments. However, she first had to overcome one huge obstacle—reinvesting when she had no interest in learning about the intricacies and vagaries of the financial world.

"Finances do not spark my engine, so to speak," she admits. "It is one of the lowest-priority subjects on my reading list." Fortunately, Nancy heard about a socially responsible investing adviser and decided to call him. "I hesitated at first, because I wanted to talk to someone I could trust. When I met the investment advisor, I felt 2,000 percent better because he was easygoing and understood my concerns."

Shortly thereafter, the advisor began investing Nancy's money in responsible companies that care for the Earth—no tobacco companies, weapons manufacturers, or chemical companies. She has stayed with the same investment advisor ever since. "I know in my heart that money is not the most important thing in life. What's important to me is to invest in a way that is helping the planet and not hurting it," she says.

Nancy also has more time to devote to issues she is passionate about—and more time to cover her reading list without going near the business and finance section in the bookstore.

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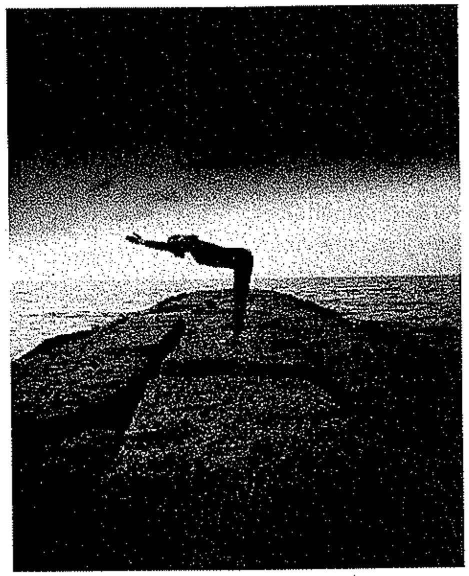

***Like balancing profitability with responsibility.**

	Average annual total returns for periods ended 12/31/06			
	One Year	Three Years	Five Years	Ten Years
Neuberger Berman Socially Responsive Fund® — Investor Class	14.44%	11.82%	9.97%	9.10%
S&P 500 Index	15.78%	10.43%	6.19%	8.42%

Neuberger Berman Socially Responsive Fund is a no-load, diversified fund which screens companies based on environmental, community and workplace issues. An investor should consider a fund's investment objectives, risks and fees and expenses carefully before investing. This and other important information can be found in the Fund's prospectus, which you can obtain by calling 800.877.9700. Please read it carefully before making an investment.

Results are shown on a "total return" basis and include reinvestment of all dividends and capital gain distributions. Performance data quoted represent past performance, which is no guarantee of future results. The investment return and principal value of an investment will fluctuate so that the shares, when redeemed, may be worth more or less than their original cost. Mid-capitalization stocks are more vulnerable to financial risks and other risks than larger stocks. They are generally less liquid than larger stocks, so their market prices tend to be more volatile. Large-cap stocks are subject to all the risks of stock market investing, including the risk that they may lose value. These and other risks are set forth in the prospectus. Current performance may be lower or higher than the performance data quoted. For current to the most recent month-end performance information, please visit www.nb.com/performance.

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The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market-value weighted index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value. The "500" is one of the most widely used benchmarks of U.S. equity performance. As of September 16, 2005, S&P switched to a float-adjusted format, which weights only those shares that are available to investors, not all of a company's outstanding shares. The value of the Index now reflects the value available in the public markets. Please note that indices do not take into account any fees and expenses of investing in the individual securities that they track, and that individuals cannot invest directly in any index. Data about the performance of these indices are prepared or obtained by Neuberger Berman Management Inc. and include reinvestment of all dividends and capital gain distributions. The Fund may invest in many securities not included in the above-described index.

conducted by the Social Investment Forum showed that SRI assets rose more than 258 percent from $639 billion in 1995 to $2.29 trillion in 2005, while the broader universe of assets under professional management increased less than 249 percent over the same period. Also, socially responsible indexes were neck-and-neck with the S&P 500 both during 2005 and on a total returns basis for 10 years. The 2005 Moskowitz Prize-winning study, entitled "The Economic Value of Corporate Eco-Efficiency," scrutinized the financial ratings and environmental impact of hundreds of companies over six years. The researchers found the financial "benefits of adopting a strong environmental policy are [highly likely] to outweigh the costs."

For still more evidence that we're moving toward a time when social and environmental responsibility will be inextricably linked to financial returns, take a look at the Domini 400 Social Index, which was created to track the performance of SRI stocks. Since its inception in May 1990, the Domini 400 consistently outperformed the Standard & Poor 500—an index that acts as an indicator for how the market as a whole is doing—on a total return basis and on a risk-adjusted basis.

This means that as a social investor, you can put your investments to work for a better society without sacrificing returns. You can do well by doing good.

Unless you stash your cash in your mattress—which Co-op America doesn't recommend—your savings and investments have an impact on society. If you want your investments to make money while working for greater corporate accountability, you'll want to consider socially responsible investing: screening, shareholder advocacy, and community investing. **FPH**

SRI Mutual Funds: A Study in Screening

If you close your eyes and pin your money on the first mutual fund you find, your investments could end up supporting companies that don't mesh with your personal values—notorious sweatshop offenders, polluters, tobacco companies that aggressively market to children, nuclear weapons manufacturers, or businesses with poor diversity records.

Fortunately, there is an alternative. You can direct your money toward the growing number of socially responsible mutual funds that are available. A mutual fund is a pool of money invested in a collection of stocks, bonds, or money market instruments. Socially responsible mutual fund managers use screens to invest in responsible companies while avoiding those with poor social and environmental records. Best of all, these funds achieve competitive financial performance while your money pressures corporations to improve.

SRI mutual funds have a wide range of screens they use to filter out companies with poor track records in areas such as the environment, diversity, treatment of employees and customers, and product safety. These funds also employ positive screens, seeking out businesses that steward the environment, are committed to diversity, are involved in alternative energy and other forward-thinking areas, and treat their employees exceptionally well.

If you decide to put your money in a socially responsible mutual fund, you'll find over 200 to choose from. People who want to be social investors can now find a mutual fund to meet all of their investment goals as well as their social and environmental concerns.

One of the most exciting aspects of investing in these funds is that you can target your money to support the issues most important to you. The Women's Equity Mutual Fund ■, for example, is dedicated to supporting companies that have progressive policies toward women, minorities, and gay and lesbian employees. For those concerned with energy shortages and global warming, New Alternatives Fund ■ actively seeks out companies involved with alternative and renewable energy, as well as those that provide solutions to environmental problems.

You don't have to stick to one particular issue when investing in responsible mutual funds, however. Most SRI funds, like the Calvert Social Funds ■ or the Domini Social Equity Fund ■, screen for a variety of issues, including the environment, diversity, human rights, nuclear power, tobacco, alcohol, community relations, and weapons, among others. You have many more choices if you want to screen for multiple issues rather than focusing on one. But whatever choice you make, you'll know that while your money works for you, it's also working for a better world.

■ *designates Co-op America Business Network member*

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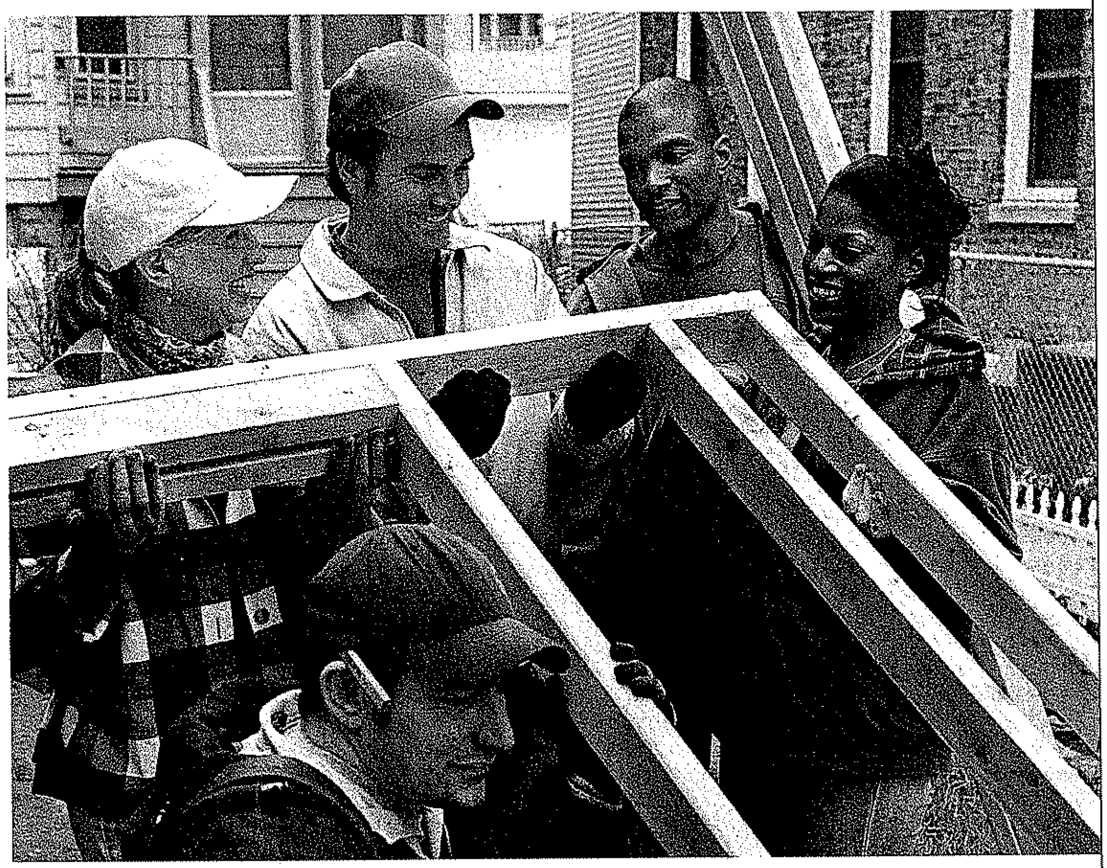

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