

How to manage your finances to do good in the world

Whether you have a little or a lot, your money is always at work. Follow these steps to ensure it's making a positive impact

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Have you ever wondered what your money is doing while it sits in your bank account? I used to think my savings were just waiting patiently for me but, the truth is, money is always at work – sometimes funding industries that harm the planet or exploit people. The good news? You don't need to be wealthy or experienced to make ethical financial decisions. Whether you're managing a savings account, contributing to a pension or just curious about investing, you can align your money with your values.

You'll notice that I'm going to begin favouring the term 'sustainable' over 'ethical' – the former allows us to side-step many of the heated debates about what counts as ethical and focus instead on tangible outcomes, such as impacts on the environment or labor practices. For this reason, the word 'sustainable' also tends to be used more often in the financial industry.

The advice I'm about to share covers both saving and investing. What's the difference? Saving means storing your money safely, like in a bank account, where it earns a small amount of interest and is available when you need it. Crucially, the bank uses your savings to make loans and investments. By contrast, investing involves putting your money directly into assets like company shares. It comes with more risk, but it also offers the potential for greater rewards and is often geared towards long-term goals, such as retirement or college funds.

Thanks to a plethora of emerging financial apps and platforms, sustainable saving and investing is now easier and more accessible than ever. Even small amounts – just a few dollars, pounds or euros – can make a big difference over time. And it's not just about making decisions to ease your conscience or make you feel good about yourself. To take the example of the environment,

research shows that changing where you save and invest can have a far bigger beneficial impact on the environment than lifestyle changes such as eating less meat or driving less.

No matter where you're starting from, let's see how your money can grow while making the world a better place.

The ripple effect of your financial decisions

When you think about your money, it's understandable that you might be focused on the numbers – for instance, how much you need for spending versus how much you can afford to save or to invest. But the truth is, where and how you place your money can shape the future. Banks and investments fund companies, projects and ideas – and not all of them will align with the values you care about. Every dollar you save and invest becomes part of a larger story, influencing business practices, communities and the planet.

Most traditional financial institutions focus only on profit, without looking at the bigger picture. For example, banks invested more than \$705 billion in fossil fuels in 2024, with \$347 billion going to fossil fuel expansion alone. Many popular mutual funds (a kind of group investment scheme) and pension funds also support industries that pollute, exploit workers or worsen inequality, often without investors realising it. But once you know where your money is going, you can take steps to change that.

Sustainable saving and investing means putting your money into banks and companies that focus on both financial growth *and* social or environmental progress. Instead of asking only: 'How much interest will I get?' or 'How much will my investment grow?', you're also asking: 'What kind of change can my money create?' You're making a choice that goes beyond profit. You're aligning your money with your values and supporting companies that aim to make a positive impact on the world.

You might be concerned, understandably, that taking sustainable financial decisions could mean you will have to sacrifice profits – if you don't have much to start with, this could be especially off-putting. Be assured this isn't the case. Of course, any investment can go down as well as up, but in 2023, sustainable funds outperformed traditional ones, delivering 12.6 per cent returns on average – nearly 50 per cent higher than the 8.6 per cent return from regular funds. This shows that you can earn well while also supporting causes you care about.

It's also important to consider that the benefits to making sustainable financial decisions aren't just monetary. There's also a deep sense of purpose that comes from knowing your money is driving positive change. With sustainable saving and investing, you can grow your wealth while contributing to a brighter future. It's a win-win!

Assess sustainability

In the financial world, a common way to assess sustainable investments is by using the ESG criteria:

- **environmental (E)**: how a company impacts the planet (eg, carbon emissions, renewable energy use);
- **social (S)**: how it treats people (eg, fair wages, diversity, community engagement); and
- **governance (G)**: how well it is managed (eg, leadership transparency, anti-corruption efforts).

These criteria were first proposed formally by the UN in their report *Who Cares Wins* (2004). They provide a framework to empower investors to make smarter, more values-driven decisions. While the system isn't perfect – different rating agencies might assign slightly different ESG scores – these criteria offer a great starting point. Many financial websites and platforms provide these scores for individual companies (including banks) and investment funds. You can think of them as a guide to help you align your saving and investments with the causes you care about. As you become more familiar with making sustainable choices, you can dive deeper into the nuances and choose the banks, funds or companies that resonate most with your values.

Key points

1. **Assessing sustainability.** In the financial world, a common way to assess sustainable investments (ie, those with positive outcomes) is by using the ESG criteria: environmental, social and governance. Many financial websites and platforms provide these scores for individual companies (including banks) and investment funds.
2. **Identify what matters most to you.** Taking the time to clarify what matters to you will make it easier to find investments that resonate – and to stay motivated as you follow through on your plan.
3. **Research ethical banks.** Even if you don't see yourself as an investor, it's likely you will already have some money in the bank. Banks use your money to make loans and investments. Use the search tool provided by BankTrack to check whether your bank's activities match your values – and consider switching if not.

4. **Move your existing pensions and investments to more sustainable options.** Your pension funds might not align with your values. Fortunately, many pensions now offer ethical or sustainable fund options – check what’s available to you. For your other investments, many platforms now offer ESG-focused alternatives.
5. **New to investing? Start small with ESG funds.** You don’t need a lot of money to get started – putting aside \$20 (about €19 or £15) a month is enough. Various platforms and apps can help you find options to invest in ESG index funds that place your money in sustainable companies.
6. **Use online resources to compare options.** If you’re keen to develop your portfolio further, you don’t have to figure out everything on your own. Websites like Morningstar and Sustainalytics offer ESG ratings for everything from funds to banks, government bodies and bond issuers.
7. **Beyond the ESG framework.** While ESG investing offers a solid foundation, going beyond it lets you focus on niche causes that align with your passions, for example through funds that are centered on specific global issues.
8. **Stay committed.** Many platforms now offer impact reports that show real-world outcomes, such as CO₂ emissions saved or social initiatives supported. These metrics provide a refreshing and rewarding way to track your progress, giving you purpose and peace of mind alongside your financial returns.

Read more

Practical steps to start saving and investing ethically

Identify what matters most to you

Before diving in, take a moment to reflect on what’s most important to you. Are you passionate about tackling the climate crisis, advancing social justice, supporting ethical business practices, or something else?

Taking the time to clarify what matters to you will make it easier to find investments that resonate – and to stay motivated as you follow through on your plan.

Research ethical banks

Even if you don’t see yourself as investor, it’s likely you will already have some money in the bank and you might have a pension too. Banks and pension funds play a significant role in shaping the future. Some banks use your savings to fund fossil fuels, while others invest in renewable energy and social projects. Use the search tool provided by BankTrack (an NGO based in the Netherlands) to check how your bank stacks up. If you find your bank’s practices

don't match your values, consider switching to a more sustainable bank, such as Triodos, a European bank headquartered in the Netherlands; Aspiration based in California, which partners with banks to provide sustainable banking services; or the Teachers Mutual Bank in Australia (open to current or retired employees of the education sector).

Move your existing pensions and investments to more sustainable options

If you already have investments or long-term savings for retirement, it's worth looking into more sustainable alternatives. Many people don't realize that their pension funds – often their largest investment – might not align with their values. Fortunately, many pensions now offer ethical or sustainable fund options. If you're in a staff role and your employer provides a retirement plan, they likely include advisors or resources to help guide you, which is required by law in some countries. Check with your plan administrator to see if they offer ESG-focused funds or socially responsible investment (SRI) options.

When it comes to any other stock market investments you hold, bear in mind that some popular funds, such as the S&P 500 (which tracks the 500 biggest companies in the US, including household names like Apple and Tesla), include companies that might not align with your values. Fortunately, many investment platforms now offer ESG-focused alternatives, such as the S&P 500 ESG (which tracks the 500 biggest companies in the US, but filters out those that score lowest on the ESG criteria), or you could consider a socially responsible investment (SRI) fund (such as Impax Funds or Praxis Mutual Funds) which are even stricter about which companies are included. Switching to these options is often quick and easy, and it ensures your investments reflect the positive change you want to support.

New to investing? Start small with ESG funds

If you're completely new to investing, you don't need a lot of money to get started – putting aside \$20 (about €19 or £16) a month is enough. Various platforms and apps (such as Robinhood, Betterment or Stash in the US, Nutmeg and Stratiphy in the UK, Nordnet in Scandinavia, or Australian Ethical in Australia) can help you. The key is to start small and stay consistent. Look out for options to invest in ESG index funds (such as the Vanguard ESG US Stock ETF or Fidelity US Sustainability Index Fund). These automatically invest your money in a group of companies selected for their high sustainability scores. They're a great way to begin – they filter out companies with poor environmental, social or governance practices, so your money goes to more responsible businesses. As your investments grow, you'll build confidence and make a greater impact over time.

Use online resources to compare options

If you're keen to develop your portfolio further, you don't have to figure out everything on your own. Websites like Morningstar (founded in 1984 by the US entrepreneur Joe Mansueto from

his apartment) and Sustainalytics (now owned by Morningstar) offer ESG ratings for everything from funds to banks, government bodies and bond issuers. Bonds are another form of investment in which you essentially lend your money to the bond issuer, such as a university or local government, in return for interest on your loan. These various ESG ratings – you'll need a subscription for some data – will give you a snapshot of how investments perform both financially and ethically. For everyday investors (rather than professionals), Finimize – founded in London in 2016 – provides bite-sized insights and easy-to-follow updates.

Beyond the ESG framework

While ESG investing offers a solid foundation, going beyond it lets you focus on niche causes that align with your passions. You can support clean energy initiatives, electric vehicles, gender diversity in leadership, sustainable food systems, or clean water technologies. There are also funds targeting innovative fields such as smart cities or disruptive technologies, and even those centred on specific global issues such as sustainable urban development. These funds often focus on emerging industries, which can carry higher risks and increased volatility, so they're best kept as part of a diversified portfolio. Though they require more research, niche investments can create a deeper personal connection to your portfolio, allowing you to make a meaningful impact while supporting the causes you care about most. Below are a few examples.

Funds with a focus on environmental or social issues:

- US Vegan Climate ETF: excludes companies involved in animal exploitation and fossil fuels.
- SPDR MSCI USA Gender Diversity ETF (SHE): focuses on companies with diverse leadership teams.
- Invesco Water Resources ETF (PHO): invests in clean water technologies and companies.
- Direxion Moonshot Innovators ETF (MOON): targets emerging, innovative technologies.

Industry or technology-specific funds:

- iShares Electric Vehicles and Driving Technology UCITS ETF: invests in the electric vehicle ecosystem.
- ALPS Clean Energy ETF: focuses on renewable energy companies.
- Rize Sustainable Future of Food UCITS ETF: supports sustainable food production.
- Rize Education Tech and Digital Learning UCITS ETF: concentrates on innovations in education.

Geopolitical or regional focus:

Consider funds targeting sustainable urban development, such as Amundi MSCI Smart Cities ESG Screened UCITS ETF.

Stay committed

Getting started with sustainable investing can feel overwhelming, especially with concerns about greenwashing (when companies falsely claim sustainability). But the good news is that regulators are setting clearer standards, and the tools I've described will help you to spot genuine ethical investments.

It's also important to rethink how you measure success. Sustainable investing isn't just about how much your portfolio grows – it's also about knowing your money is making a positive difference. Many platforms such as IMPACT App, EarthFolio, Carbon Collective and Ellevest now offer impact reports that show real-world outcomes, such as CO₂ emissions saved or social initiatives supported. These metrics provide a refreshing and rewarding way to track your progress, giving you purpose and peace of mind alongside your financial returns.

Final notes

Investing ethically isn't just about growing your wealth – it's about taking control of your financial future, recognising that your money is always doing something in the world, and helping to create the change you want to see. With ever more tools and sustainable options available, you don't need to be a millionaire to make an impact.

Remember, every savings and investment choice you make sends a message to various players and stakeholders in the financial world: that profit shouldn't come at the expense of people or the planet. Even small actions add up to real change over time, and by aligning your finances with your values, you're joining many others in helping build a more just and sustainable future.

