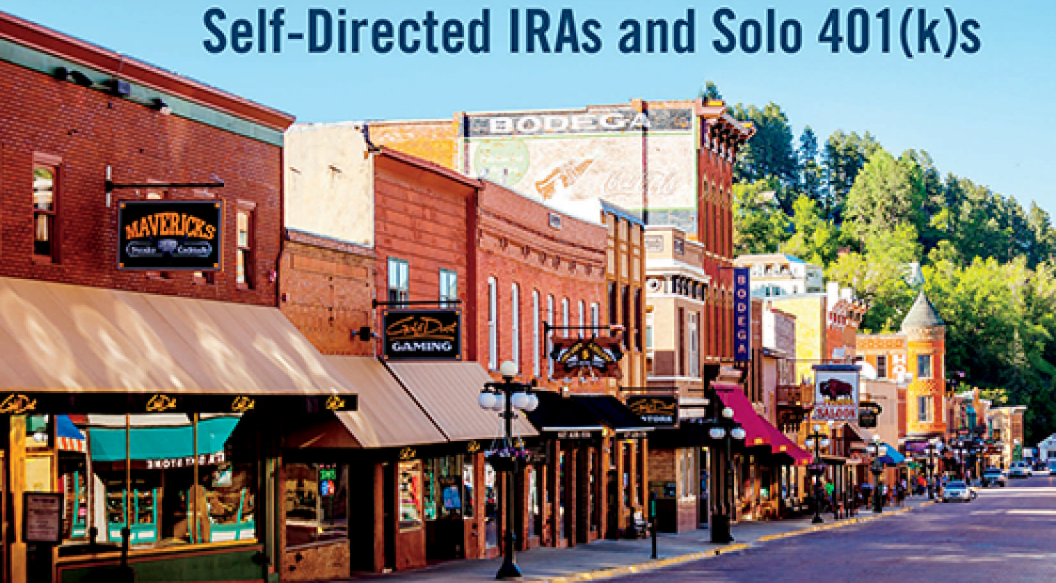


MICHAEL H. SHUMAN

Bestselling author of *The Small-Mart Revolution*

PUT YOUR MONEY WHERE YOUR LIFE IS

How to Invest Locally Using
Self-Directed IRAs and Solo 401(k)s



**PUT YOUR
MONEY
WHERE YOUR
LIFE IS**

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Local Dollars, Local Sense (2012)

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PUT YOUR MONEY WHERE YOUR LIFE IS

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FOREWORD BY MORGAN SIMON



Berrett-Koehler Publishers, Inc.

Put Your Money Where Your Life Is

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*To Cathy Berry, Guy Bazzani,
the late Dick Lahn, Roy Pollock,
and Kate Poole, all of whom
generously invested in me and
made this book possible*

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FOREWORD

Where Does Your Money Spend the Night?

The vast majority of us have no idea where our money spends the night. When we turn over our money to the bank, or to a financial advisor, or to a retirement plan, it can feel as though it's not ours anymore. And like anything that happens behind closed doors, this can make us nervous—will we achieve our financial goals? And for those of us who try to live ethically in other areas of our life—is our money being used to help or harm others?

The sad truth is that the economy has largely been designed to harm, not help. That's what led me to cofound Candide Group, a Registered Investment Advisor that helps families, foundations, athletes, and other cultural influencers who want their money working for social justice. Our company is named after the Voltaire novel, which talks about wrestling with the forces of good and evil—which is what we do every day as impact investors.

When we get money wrong, we wind up with fossil fuel companies and private prisons. When we get money right, we get renewable energy and more ownership and autonomy for grassroots communities. We start to repair historic harms and transform our society. And when we do it right, we are

able to effectively plan for the future, a future where our individual families have built the wealth they need to thrive and can live in thriving communities with others. As Indigenous activists like Lilla Watson have taught us, because our liberation is bound together inextricably, building “wealth” by harming others will never be fulfilling.

How do we move our money from the old paradigm to this newer, happier place, an economy that effectively serves us? We start by knowing where it spends the night. We seek out community banks and credit unions that keep our money local. We hold financial advisors accountable for the impact of their decisions. We map our power—perhaps you are an alumna of a university with a billion dollar endowment, or a teacher or city worker who is part of a trillion dollar pension fund, and can encourage that endowment or fund to make more ethical decisions. And as Michael Shuman explains in this important book—you can take control of your own retirement savings.

In the pages that follow, you will learn about the ways you can shift your IRAs, 401ks, and 403bs into local businesses, projects, and people you care about. Some of Shuman’s suggestions are deeply personal—getting ourselves or our kids out of credit card debit or paying off our mortgage, for instance. Others propose learning about new investment opportunities in our broader community—in food co-ops, bookstores, and community land trusts, for example—and then using what he calls “DIY Accounts” to move our tax-deferred savings into them. With these sorts of investments, you always know where your money spends the night.

I applaud you for pushing past some very reasonable fears in picking up this book. In my own work, I have helped move

tens of millions into social investing every year and know just how difficult it can be to pick great investments. But in my journey from activist to investment advisor, I've learned that the financial services industry benefits from being intentionally opaque and making us all feel as if we can't do this ourselves. So many of the pioneers in impact investing started out precisely by pushing past that fear with a strong belief that we could do it better.

And guess what—from *Harvard Business Review* to BlackRock,¹ numerous traditional institutions have come out saying that companies that take the environment and communities into account do indeed perform better. Private prison companies have lost 30 percent of their stock value over the past year as the public pushes back against their human rights abuses.² As I write this, \$11 trillion has been divested from fossil fuels, yet another dying industry.³ Yet traditional advisors tend to stick to the usual adage: “No one gets fired for buying General Electric.” In the last downturn, traditional investors lost trillions of dollars,⁴ whereas impact investors, who by nature lean toward a focus on longer-term outcomes, tended to weather the storms better and have more stability as they move into retirement.⁵ The potential for less volatility and more community benefit sounds like a win-win to me—and is part of why one in every four dollars from retail investors is now engaged in some sort of social investment.⁶

But even as impact investing has gone mainstream, a lot of it is indeed impact washing from traditional financial institutions who think you can know how to change the world by looking down from a fortieth-story Manhattan high-rise. As I note in my book, *Real Impact: The New Economics of*

Social Change, we have the opportunity to get impact investing wonderfully right or terribly wrong depending on how much community accountability we can structure into our processes.

In contrast, Shuman's approach is all about local community building and responding to deep community desires and needs. It redefines the notion of expert—as we are all the experts of our lived experiences and all of us can make intelligent decisions about how to spread money in our communities. We just need some courage, conviction, and a roadmap—which Shuman so gracefully provides.

MORGAN SIMON

Cofounder of Candide Group and author of *Real Impact:
The New Economics of Social Change*

PREFACE

Americans agree on very little these days. Yet there is one point on which red state conservatives and blue state progressives are increasingly united: Wall Street can no longer be trusted.

The near collapse of the global economy in 2008, caused in part by radioactive mortgage products sold and resold by thousands of once-beloved financial institutions, threw millions of Americans out of work, forced many to lose their homes, and stole trillions of dollars from their life savings. Unemployment has since dropped, the stock market has roared back, our pensions have largely recovered, but most of us cannot completely forget how close the economy came to total meltdown.

One sign of the lingering distrust is that the 2016 presidential race saw not one but two of the top candidates—Donald Trump and Bernie Sanders—campaign against Wall Street. Their messages, and the similar messages now heard from their 2020 rivals, resonated with tens of millions of Americans who remain nervous tethering their financial futures to so many unfamiliar, unreliable, and unethical financiers.

But what's the alternative? There isn't much of one, unfortunately. At least that's the common wisdom. Most of us continue to invest our money in the stocks and bonds of

the world's biggest companies we barely understand. Our mutual fund managers, pension fund representatives, and investment advisors insist these investments are the best bets for growing our wealth.

Superficially, we are given many choices: Value or growth companies. Big cap or small cap. Stocks or bonds. US-based or foreign businesses. Socially responsible or not. But in the end, all these investment choices are more limited than we think.

There *are* real alternatives, but few of us consider them. You can invest in everything else that matters to you. You can put your money into that neighborhood grocery store you love, your little sister's first house, or your nephew who needs to pay off high-interest student loans. If you're smart about local investing, you can do this in a way that increases your financial returns compared to Wall Street and lowers your risk. Plus, these commonsense local investments wind up strengthening your community, your neighborhoods, and your schools.

If you're interested in how to get your tax-deferred savings out of global companies you distrust and into everything else you love, you've picked up the right book. In the pages ahead, you will learn how you can deploy two well-established—but rarely used—tools to expand your investment options. These are the Self-Directed IRA and the Solo 401k. This book aims to dispel all the myths, confusions, and worries about these do-it-yourself tools—and will show you how you can deploy them to improve both your and your community's bottom lines.

MICHAEL SHUMAN
Silver Spring, Maryland
February 2020

INTRODUCTION

Pop quiz! Please answer the following three questions:

- Have you mindfully bought local goods and services over the last week? For example, were you drawn to a farmers' market, a locally owned hardware store, or a local crafts fair?
- Do you have a checking or savings account at a locally owned bank, thrift, or credit union?
- If you have any savings for your retirement, have you invested at least 1 percent in your local businesses, your city's newest development projects, or your neighbors?

For the past twenty-five years, I've put these questions to more than a thousand audiences across North America—in all, probably several hundred thousand people. And the results are always the same.

- The vast majority care deeply about their local economies and have dramatically shifted their buying habits. They are flocking in expanding numbers to local brew pubs, farm-to-table restaurants, credit unions, cooperatives, and businesses proudly proclaiming themselves as “Locally Owned.”

- Fewer than half bank locally. The Move Your Money campaign launched after the 2008 financial meltdown convinced more than a million people to shift their money from Wall Street banks to local banks and credit unions. But most Americans continue to conduct their daily financial transactions at a few increasingly powerful global banks like Citigroup, JPMorgan Chase, and Wells Fargo.
- On the last question about retirement funds, the answer is stunning. Typically one or two hands pop up, and—honestly—these folks turn out to be mistaken. Even though local businesses comprise 60–80 percent of our economy (depending on how we define “local”), and many are highly profitable and competitive, Americans don’t think twice about placing more than 99 percent of their life savings in global businesses they don’t know and often distrust.

We care deeply about the shops and people in our daily lives, but we do not know how to apply this intention to our own money. All of us, even the most resolute anti-globalization activists, systematically overinvest in Wall Street and underinvest in Main Street. We want to support our local businesspeople, our city’s infrastructure, our neighbors, and our kids, and yet when it comes to our money, we happily surrender it to financiers hundreds or thousands of miles away.

Imagine pulling off the highway and finding the House of Broc, a diner that serves only broccoli. To be sure, many variations of broccoli are on the menu—broccoli salads,

broccoli casseroles, broccoli shakes, broccoli ice cream—but you might feel inclined to point out the obvious. Where are the other vegetables like carrots, zucchini, and spinach? How about beef, chicken, and fish? This book is about pointing out how many delicious and healthful alternatives can and should be on the investment menu.

It's tempting to ascribe our habit of keeping our money as far away from our lives as possible to a sinister conspiracy involving greedy bankers, corrupt politicians, and gullible citizens. I won't. The real explanation is more interesting. It's a story of good intentions gone awry. We enacted securities laws in the 1930s designed to protect investors from fraudsters, but the perverse effect was to create a system of finance so complex that only the biggest players—big investors on one side, big business on the other—could afford to jump through the expensive legal hoops and play. Over time, innovations like mutual funds pried open this system for the rest of us, and today we participate in this system through workplace plans like 401ks and private Individual Retirement Accounts (IRAs). But the system still funnels money almost exclusively into large, publicly traded companies.

In recent years two revolutions have taken place in the world of finance, one well known and the other largely invisible. The first revolution concerns the mission of business and investment. The traditional view was well articulated by the noted conservative economist Milton Friedman, who wrote in 1970, "There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits."¹