



# LOFTUS

## WEALTH STRATEGIES

### Monthly Newsletter

#### Loftus Wealth Strategies

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What is duration, and why should I pay attention to it?



## Can You Make Some Green by Investing Green?

The release in April of the long-awaited report from the United Nations' Intergovernmental Panel on Climate Change has spurred renewed discussion of ways to combat climate change and its effects. The report, written by leading scientists from around the globe, says that to keep greenhouse emissions below critical levels, the world must make substantial changes--and quickly--in how energy is produced and consumed.

That finding has focused fresh attention on so-called "green investing." Here are some considerations that can be especially important in this arena.

### No shortage of choices

If you're interested in exploring green investments, you have a variety of possible options. They include renewable energy sources, technologies that can improve the environmental footprint of existing energy sources, clean water, clean air, and technologies that can help reduce overall consumption, particularly of nonbiodegradable substances.

The broad scope of green technologies can make it difficult to choose among the myriad investment opportunities, especially if you don't have expertise in a particular field or the time or energy to acquire that knowledge. Unless you're familiar with the science behind a specific company's product or service, you might benefit from casting a wider net. Though diversification can't guarantee a profit or eliminate the possibility of a loss, it can help you manage the amount of risk you face from a single company.

### A great technology is not the same thing as a great stock

Even if you have special knowledge of a particular field, don't let that blind you to a company's business fundamentals. If you're considering a small company stock, don't forget that small caps can be extremely volatile. In addition to the risks involved with all stocks, a small-company stock can be affected disproportionately by the actions of a single large investor or a report by a single investment

research department, especially if the stock is thinly traded. If that worries you, one alternative might be to invest in larger companies that have made a significant commitment to initiatives in that field and that might have other business advantages. Though they may not have a small company's rapid growth potential or appeal as a possible takeover target, they often have more resources than a smaller company to make acquisitions or manufacture and market globally more efficiently.

### Important considerations

Certain factors that apply to all stocks are especially important when considering an investment in green companies.

*What's the competitive landscape?* An idea that seems promising can quickly be superseded by the latest innovation. While it's difficult to forecast technical turning points, it's helpful to know the major players in that space, their key development efforts, and roughly how they're positioned.

*How dependent is a company on external support?* Many countries are making significant green investments, racing to establish dominance on the global playing field of green technologies. Emerging technologies often are dependent on some form of government support, such as tax credits, loan guarantees, or sponsored pilot programs. However, political support for such initiatives can come and go, as can investor enthusiasm for specific technologies.

*How capital-intensive is the technology?* Many green technology companies may have little or no profits yet but a substantial need for capital from a cash flow standpoint or as a result of the technology itself. That could make a company vulnerable to a potential credit crunch or rising borrowing costs, which could affect its ability to develop and market even the most promising technology.

**Note:** All investing involves risk, including the potential loss of principal, and there can be no guarantee that any strategy will be successful.