



Financial Success for the Next Generation

You've worked your entire life to build your wealth, and now look forward to leaving a legacy for your children. However, your children must be aware of their financial responsibility when inheriting assets for that legacy to continue for future generations to come. Helping them become familiar with the basics early will better enable a secure financial path in the future.

Determine financial goals: Setting goals is an important part of life, particularly when it comes to finances. Over time, goals will probably change, which will require some adjustments. Have your children thought about their short-term goals (for example, a new car or vacation) or long-term goals (like retirement or saving for their child's college education) and how they plan to achieve them?

Understanding investments: Your children's primary exposure to investing is likely through their workplace retirement plan (401(k), 403(b), etc.). Choosing among the investment options in a workplace plan can be overwhelming. It is important to understand these options and how they work as part of an overall investment strategy. As a trusted advisor, we review 401(k) investment options and can provide guidance to you and your children.

Creating a financial plan: A financial plan is a powerful tool to assess the probability of success in meeting future needs. Using financial planning tools, we can create an analysis of resources and expenses to help your loved ones determine the likelihood of reaching their goals. As part of this process, we discuss estate planning, financial considerations when getting married and having children, as well as financial stewardship and philanthropy if appropriate.

By making mindful decisions now, your children will be better secure for financial success in the future.

ESG Investment Strategies and Considerations

Environmental, social, and governance (ESG) criteria are the guiding principles behind an ever-increasing share of the public's investment dollar. Here at Camden National Wealth Management, we have been receiving an increasing number of inquiries about what ESG investing means, and if we can accommodate such strategies.

By one estimate, global ESG investment assets were approximately \$38 trillion pre-pandemic, with fund inflows building rapidly (graph, following page).¹

Investopedia, the online dictionary, defines ESG investing as follows:

Environmental criteria consider how a company performs as a steward of nature. Social criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates. Governance deals with a company's leadership, executive pay, audits ... and shareholder rights.

Although ESG is the more encompassing term, "socially responsible investing," "sustainable investing," and "socially conscious investing" are also popular terms that refer to aspects of the ESG investment discipline.

As a discipline, ESG has evolved into a multi-layered process. The oldest and least sophisticated ESG process is "exclusionary screening," meaning "avoiding securities of companies or countries on the basis of traditional moral values (e.g. products or services involving alcohol, tobacco, or gambling) and standards and norms (e.g. those pertaining to human rights and environmental protection)."² Over half of ESG assets under management are in portfolios characterized primarily by exclusionary screening.³

Summary descriptions of the more complex screening processes follow.²

- Best-in-class: companies with better ESG performance relative to sector peers
- Active ownership: a practice of entering into a dialogue with companies on ESG issues
- Thematic investing: investing based on social, industrial, demographic and other trends
- Impact investing: the disclosed intention to generate social and environmental benefits alongside a financial return
- ESG Integration: systematic and explicit inclusion of ESG risks and opportunities in investment analysis

What is the record of ESG investing in terms of investment returns? There have been numerous studies of ESG investment results, some indicating a positive effect on investment returns and some that were inconclusive. No consensus has emerged, but most studies indicate that investors do not pay a penalty for incorporating ESG considerations.²

With so much money pouring into ESG investments, it should not be surprising that regulatory authorities, particularly the European Union, are stepping in to “provide clarity for companies, capital markets, and policy makers...” as to “...which economic activities are sustainable.”⁴ The EU’s implementation timetable for its 550-page “Taxonomy” of “Technical Screening Criteria” concludes in January, 2023.

In the U.S., the Biden Administration also has been active on this front. Earlier this year, President Biden announced an Executive Order building upon the Securities and Exchange Commission’s ongoing efforts to develop a disclosure framework for ESG risks.

Here at Camden National Wealth Management, we work closely with our clients to meet their ESG requirements. For example, many of our clients prefer to avoid investments in fossil fuel producers. Through our research tools, we are able to easily meet this and other exclusionary requirements. For clients with a desire to proactively invest in renewables and alternative energy, we have selectively identified investment funds specializing in “green” energy.

In our core investment process, we closely monitor ESG practices for individual investments, and individual company ESG rankings are factored into our research. We examine every stock, bond, mutual fund and exchange traded fund (ETF), weeding out unacceptable practices. For example, our stock buy list has never included a tobacco company. In our management of mutual fund portfolios, we were an early adopter of ESG investment offerings, choosing the Parnassus Core Equity Fund as a foundational investment in mutual fund portfolios more than 10 years ago.

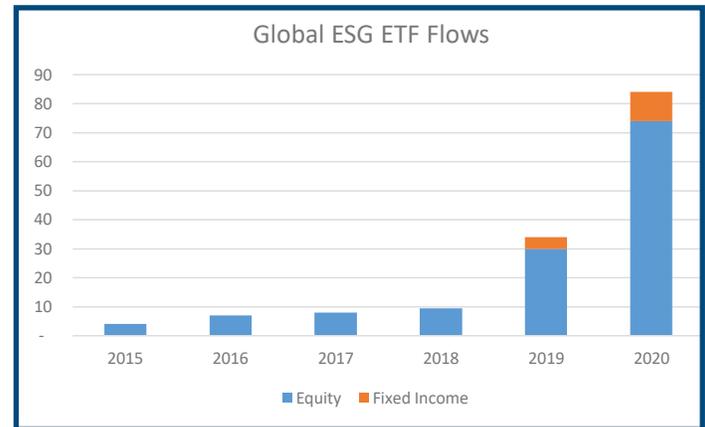
ESG investing is an evolving field, covering a broad range of criteria. We are committed to offering ESG alternatives that reflect cutting-edge thinking in the investments field.

1. *Bloomberg News, Feb. 23, 2021, based on 2019 research by Azoth Analytics.*
2. *CFA Institute, Oct. 2015. “Environmental, Social, and Governance Issues in Investing”, Usman Hayat, CFA and Matt Orsagh, CFA.*
3. *Bloomberg News, Feb. 23, 2021, citing McKinsey and the Global Sustainable Investment Alliance.*
4. *S&P Global, “A Short Guide to the EU’s Taxonomy Regulation,” May 12, 2021.*
5. *National Law Review, June 7, 2021.*

Camden National Wealth Management provides investment management, goals-based financial planning, and trust and estate services to individual and institutional clients in Maine and throughout the United States. Our highly credentialed team averages 25 years in the business and includes Chartered Financial Analysts, estate planning attorneys, CTFA trust specialists, and financial planners. Together, we bring a customized investment and planning approach to meet each client’s unique financial needs.

For our clients, by understanding what is important to you, we can create an investment strategy that is designed to both help you reach your goals and is aligned with your values.

Historical vs. Projected Global ESG ETF Flows:



What is an Ethical Will?

Last Wills and Testament are part of a well-drafted estate plan and are important planning tools to distribute financial assets to loved ones and beneficiaries. An Ethical Will is similar except instead of passing financial assets to beneficiaries, it allows you to expressly state your core values to your children, grandchildren and other loved ones. Though traditional Ethical Wills were used to communicate spiritual or religious values, the modern use of Ethical Wills has expanded this idea to communicate hopes and goals for future generations, as well as serve as a record of family history and memories. You can also use an Ethical Will to communicate your investment philosophy and encourage continued stewardship of inherited assets. These can be powerful tools to state what is important to you and how your loved ones can continue a legacy you have created. There is no required format for an Ethical Will. Some are a single page and some can be several pages long. There are several tools available online to help you craft your unique message to your family. They can be in the form of a letter or memorandum, and do not need to be drafted by an attorney. However, your estate planning attorney may be able to provide guidance about what would be appropriate to include in this document.



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