



Wall Street Reforms for Sustainability



“Improving America’s investment system is vital to achieving success with sustainability and environmental protection.”

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Note: Communicating this information as news to others is free of charge. 2

Topics

A. Introduction

B. Individual Retirement Accounts (IRAs) - Reform

C. Stock Reforms (Exchange Traded Funds, ETFs)

D. Corporate Bond Reform

E. Municipal Bonds

F. Reduce Conflict of Interest

G. Summary



A1. Introduction

- This document is about a re-invention of the American investment system.
- It is about giving back ownership of the investment system (and equal power) to individual American citizens, where it belongs.
- The focus is on American's regular investment dollars (stocks and bonds), in taxable brokerage accounts and retirement accounts.
- Banks, Savings, Checking, CDs, Loans and Mortgages are not the focus of this document.
- There are also other investments, real estate, investment management companies, etc.. not included in this discussion.



A2. Important Investment History

- The New York and Philadelphia stock exchanges go back 200+ years.
- Options investments (speculation) for commodities (bulk products, like crops, etc..) have existed for 200+ years. This has become an important aspect of raising and selling farm products, and other bulk products.
- The first American corporate pension plan was created by the American Express Company in 1875, and thousands of companies have followed suit.
- The first stock option exchange opened in Chicago in 1973, and investors could formally speculate on whether a stock would go up or down in price (hedging).
- The deferred-tax 401k plan system for employees retirement savings was passed into law in 1978. Millions of such individual plans have been created.
- The problem: Manipulation and chronic high costs are now ingrained in the system.



A3. More Money Is Needed for Environmental Protection

- **Premise:** Americans need more money to invest in pollution reduction in their personal, family and business lives... where will this money come from?
- **Answer:** Stop allowing Wall Street to “shear” Americans like sheep with inappropriately high fees and costs within the financial system.
- The system was set up years ago to support an industry employing millions of highly paid professionals. Many of those jobs are not really needed.
- Americans aspire to “white-collar” jobs in offices because there is financial security, personal prestige, and stability for their families.
- However, many wasteful aspects of the system have been created to fulfill the “need” for too many of these white-collar jobs. This is not necessary.



A4. A New Investment System for a Sustainable Future

- How can the power and effectiveness of the average American individual investor be increased?
- **New Belief:** All the goals of the American investment system could be accomplished with significantly less cost and fewer high-paying jobs.
- Standardize and simplify, simplify, simplify.
- High fees, hidden fees, manipulation, conflict of interest, lack of accountability... can all be addressed to create a better system.
- The result would be more money available for American families to protect the environment in their daily lives.



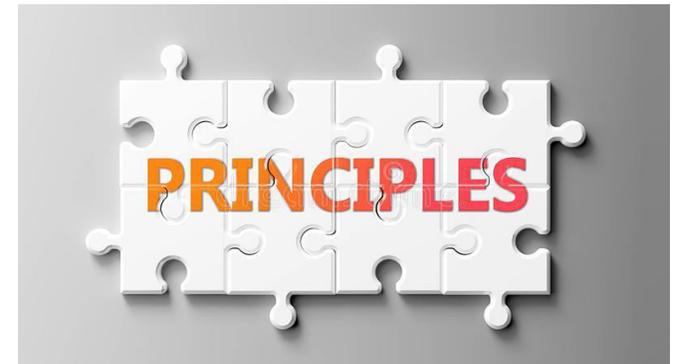
B1. IRAs - Convert ALL Retirement Accounts to IRAs

- **A person's retirement account should be completely separate from their employer.**
- **All company-provided retirement accounts (401ks) should be converted to individually- owned IRAs, at a financial institution chosen by each individual.**
- **Examples: IRAs can be managed by Banks, Annuity-providers, or Brokerage Firms.**
- **In addition, all pensions should be converted to IRAs, including all government, military and union pensions.**
- **No new 401ks or pensions should be allowed.**
- **There should not be a future obligation by any employer to provide retirement funds for any individual. The funds will be added to the individual's IRA during each year of employment.**



B2. IRAs - Investment Choices

- **If the person changes jobs, their IRA is always “vested”, and they merely inform their new employer of the routing information to their IRA.**
- **By law, there will be clearly defined IRA investment choices available (example: 60% stock and 40% bonds, etc..).**
- **By law, there will be clear identification of IRA investment choices with NO alcohol, tobacco, cannabis, gambling or fossil fuel.**
- **There will also be clear identification of IRA investment choices that are recognized as environmentally friendly and/or leading-edge eco-friendly technology (see section on ETFs).**
- **These are choices, not requirements. The more information available to an investor, the more their investments can reflect their principles and values.**



B3. IRAs - Additional Improvements

- **An investor can purchase individual stocks and individual bonds, as well as instruments that contain multiple stocks and bonds (see later sections).**
- **A person can have more than one IRA.**
- **No Over-the-Counter Stocks (OTC-higher risk) should be allowed in any IRA.**
- **For IRAs, all brokerage firms could be required to offer a “fixed interest” option for IRAs. The investor gets a known amount each year (which could change from year to year), and the firm does the investing which is transparent to the investor.**
- **IRA distributions (taxable) will be allowed starting at age 59.**



C1. Stock Reforms - Understand Stock versus Bond Financial Security

This should not be changed, but every American citizen should understand the rules.

IMPORTANT FINANCIAL ASPECT OF STOCKS-BONDS. Wealthy investors, institutional investors, investment banks and financial experts are all aware.

1. Years ago, the financial leaders of America made corporate stocks (individual companies and funds) **EASY** and simple for the average investor to buy and sell.
2. They also made corporate bonds very complex and mysterious to buy and own. So much so, that experts are needed to wisely purchase the right bonds. Therefore, millionaires, billionaires, hedge-funds, institutional investors, etc.. all own many corporate bonds because they can afford to hire experts.
3. However, if a company goes bankrupt and there is only 50-cents-on-the-dollar value remaining in the company... by law, the corporate bondholders get paid back first, then the stockholders !!

This system should be improved so that individual corporate bonds are easier for any investor to purchase.



C2. Stock Reforms - General

- Eliminate the “casino” aspects of investing; give individual investors equal power compared to billionaires, hedge funds and institutional investors.
- Betting on a stock going up or down invites manipulation and fraud. Calls, puts or shorting of stocks should be banned by law.
- Eliminate the use of “warrants” which can be later converted to stock.
- Do not allow any corporate debt to be converted to stock at the future date.
- For each stock, the communicated “actual outstanding shares” and “shares registered for later sale” will always be accurate and updated every business day.
- The above changes would eliminate manipulation, unnecessary jobs and lower costs.



C3. Stock Reforms - ETFs versus Mutual Funds

- **Stock Mutual Funds (collections of 10 – 500+ stocks) have been around for decades. Trades occur at the end of each business day (slow) and fees can be higher.**
- **ETFs are newer, can contain multiple stocks, can trade in real-time, and often have lower fees.**
- **By law, all stock mutual funds should be converted to ETFs. This simplifies and streamlines the stock investment system.**
- **By law, the maximum annual expense fee for stock ETFs should be capped at 0.4% for index (passive) ETFs and 0.8% for managed ETFs.**
- **There should be clear identification of which stocks and ETFs have NO alcohol, tobacco, cannabis, gambling or fossil fuel interests.**
- **There should be clear identification of stocks and ETFs that are recognized as environmentally friendly and/or leading-edge eco-friendly technology.**



D1. Corporate Bond Reform – System Description

- **Corporate Bonds** are one way American corporations raise capital funds. The bond system has been complex and shrouded in mystery for the average investor.
- Bonds can have maturity dates from 1 to 30+ years out.
- Bonds are backed by the company issuing the bond, not the FDIC.
- Bond face value (if sold) can change as interest rates change.
- Bonds return 100% of the original value of the Bond (Par), when held to maturity. Exceptions include bankruptcies, which are rare.
- Corporate Bond earnings are limited to fixed interest per year (called the “Coupon”).
- Corporate bonds have more risk than CDs, but generally pay higher interest rates.
- Choosing higher rated, investment-grade corporate bonds lowers risk (and lowers coupon interest) compared to lower-rated, riskier bonds (recommended limit in IRAs: 10%).
- Also, If the company enters financial trouble, senior unsecured bonds are paid back before subordinate bonds (which pay a higher interest rate due to higher risk)



D2. Corporate Bond Reform – Mutual Funds versus ETFs

- **There are many Corporate Bond Mutual Funds, which contain many Bonds each.**
- **These funds are subject to rise and fall in value, depending on changes in prevailing interest rates and investor sentiment.**
- **In general, these funds will not pay as much overall return as individual bonds, but they do spread out risk.**
- **All Corporate Bond Mutual Funds should be converted to ETFs.**
- **By law, the maximum annual expense fee for corporate bond stock ETFs should be capped at 0.4% for index (passive) ETFs and 0.8% for managed ETFs.**



D3. Corporate Bond Reform – Investor Sustainability Information

- **For individual bonds and Bond ETFs, there should be clear identification whether the investment is free of alcohol, tobacco, cannabis, gambling or fossil fuel.**
- **For individual bonds and Bond ETFs, there should be clear identification that the investment is recognized as environmentally friendly and/or leading-edge eco-friendly technology.**
- **This allows investors to make choices in alignment with their principles and values.**



D4. Corporate Bond Reform – Individual Corporate Bonds

- For brokerage firms, all investors should be able to purchase individual corporate bonds for their IRA.
- Rules should limit the bonds from one company to be no more than 10% of the IRA.
- Lists of bonds available to be purchased should be readily accessible on-line via any investor's brokerage account. Ability to sell a bond should also be provided. (same functionality as stocks)
- The practice of clearly identifying the bond ratings for investors will continue.
- Each bond will clearly identify on-line whether the bond is senior unsecured (lower risk) or subordinate (pays higher interest rate due to higher risk).
- The on-line lists will clearly show the % of each company's bonds that are senior unsecured versus subordinate.
- SEC regulation will limit the % of any company's bonds that can be senior unsecured to a maximum of 65%.
- Bond transaction fees will not be hidden, and very clearly communicated.



D5. Corporate Bond Reform – Individual Corporate Bonds, Calls

- **Having Bond Call provisions (company takes back the bond before maturity date and pays Par) gives the power to the company, not the investor.**
- **If a company wants financial flexibility then they should issue bonds that have a range of maturity dates.**
- **All general bond call provisions should be are banned. (bankruptcy and force majeure rules will still apply).**
- **Bond calls are an example of unnecessary complexity.**
- **The system should favor the bond investors.**



E1. Municipal Bonds and IRAs

- **Municipal Bonds are issued by cities, counties, school districts and other government organizations.**
- **The coupon interest earned from these Bonds is tax-free under IRS rules.**
- **Therefore municipal bonds generally pay a lower interest (coupon) rate compared to corporate bonds, but there is a tax savings on the earnings.**
- **So, municipal bonds are advantageous for regular taxable accounts, not IRAs. IRAs are already tax-deferred.**
- **Municipal bonds generally do not impact IRA investments.**
- **Note: Call provisions for municipal bonds should also be banned.**



F1. Reduce Corporate Conflict of Interest

- For decades, Corporate Boards of Directors have been able to set their own salaries, and the salary of the Chief Executive Officer, with minimal SEC checks and balances.
- This has allowed them to pay “golden parachutes” to executives even when the executives’ actions financially harm the company.
- New laws should place limits on executive pay, and limit “golden parachutes”. This is especially true when a company is struggling financially.
- History shows executives financially harm their company with their decisions some of the time. Why should their pay be so high?
- Only if a company is clearly prospering, and employees and stockholders are prospering, should executive pay be higher than normal.



F2. Reduce Investment Conflict of Interest

- For decades, Individuals, Banks, Brokerage Firms and other organizations that buy and sell stocks, bonds, mutual funds and ETFs have been allowed to issue press releases on which stock they think will go up or down in the future. Seriously?
- This invites manipulation and this activity should be banned by law.
- A new role certified by the SEC should be created: a “Certified Independent Stock/Bond Analyst”, and this may ultimately be split to two roles.
- “Independent” means that person does NOT work for any company that buys and sells stocks/bonds, AND that person has turned over all of their investment wealth to a blind trust... i.e.. They have no idea how their recommendations will impact their personal investments.
- They also will not be allowed to accept direct financial payments from any individual or company that buys and sells stocks/bonds.
- This new role would be a help to all investors.



G1. Summary - Why Highlight Sustainability for Stocks and Bonds?

- **Due to 40+ years for global and national foot-dragging, the planetary environmental crisis is now massive, and threatens the survival of the human race on planet Earth.**
- **The environmental danger is documented within the sustainabilityforlife.com website. The danger is real; our children and grand-children will suffer mightily.**
- **Therefore, identification of environmental impact (sustainability) measures for stocks and bonds is vitally important for investors.**



G2. Summary - Investment System Reform

- The entire system should be simpler and clearer to the average investor.
- All pensions and 401ks should be converted to individual IRAs, and no new pensions or 401ks should be allowed.
- All mutual funds should be converted to ETFs.
- Buying and selling individual bonds should be simplified.
- A broad range of investment choices should be available for each IRA
- Corporate and Investment conflict of interest should be eliminated.
- The effectiveness and power of each individual investor should be increased.

