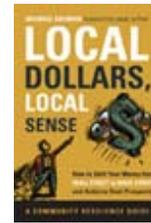


24 Ways to Invest Locally

By Michael Shuman, originally published by Post Carbon Institute at Resilience.org

Looking for ways to build your local economy? Here are 24 tips from [Michael Shuman](#), author of [Local Dollars, Local Sense](#), director of research and economic development at the Business Alliance for Local Living Economies (BALLE), and a Post Carbon Institute Fellow.

These tools are elaborated in [Local Dollars, Local Sense: How to Shift Your Money from Wall Street to Main Street and Achieve Real Prosperity](#), one of three Community Resilience Guides from Chelsea Green and Post Carbon Institute.



(1) *Move Your Money* – [Move all your day-to-day financial activities](#), including your checking, loans, credit cards, and mortgage, to a local bank or credit union. These institutions recycle their capital locally—so much so that even though local and regional banks account for only 20% of the assets of all banks, they provide more than half of all the loans to small business.

(2) *Start A Credit Union* – If your community doesn't have a local bank or credit union, then start one ([How to Start a Credit Union](#)). Credit unions are easier and cheaper to launch than banks, and many communities have small credit unions managed by part-timers or volunteers.

(3) *Create Targeted CDs* – By law, local banks and credit unions must be very conservative with their money, so they are often wary of loaning money to any local businesses without full collateral. A few banks, such as Ithaca's Alternatives Credit Union, have agreed to set up special certificates of deposits that fully collateralize loans to high-priority local businesses ([Local Green Certificate](#)). Eastern Bank in Boston has a CD that collateralizes a line of credit to Equal Exchange, a local fair-trade company.

(4) *Stretch Your Coop* – Because memberships in a cooperative are not deemed "securities," they can be more easily used as vehicles for local investments. Some coops, like Weaver Street Market in North Carolina, pay their members handsomely to borrow money for capital projects. Others, like [Coop Power](#) in western Massachusetts, invest some member capital in supplier businesses. The La Montanita Grocery Coop in New Mexico has created a revolving loan fund so that members' capital can support local farmers and food processors.

(5) *Donate Locally* – Your charitable giving can do "double duty" by targeting it to local nonprofits that support local business. The [Twin Pines Cooperative Foundation](#) has helped set up foundations across the country so that charitable giving can support the establishment and expansion of local coops.

(6) *Pre-Purchase Local Goods and Services* – In most U.S. states, preselling is not regarded as a security, so businesses can raise capital without attorneys by convincing their most loyal customers to make purchases in advance. And even in those states where it may be a security, well-established businesses still can use this technique. Hence, Awaken Café raised most of the \$100,000 it needed to open a new store by preselling coffee. [Credibles](#) is a pre-selling web site for small food businesses seeking to expand.

(7) *Sponsor Local Businesses* – Last year, web sites like Kickstarter and IndieGogo raised more than \$100 million for small businesses and projects. Even though all you get for your money is a t-shirt or token of appreciation, you know that thousands of small contributors like yourself are helping to get a big idea off the ground. Note that it's important to scan these sites for businesses in your own community (most peer-to-peer internet finance is nonlocal). A new generation of web sites, like [Lucky Ant](#) and [Community Funded](#),

specifically facilitate local sponsorships.

(8) *Tap Internet Lending Sites* – Kiva facilitates peer-to-peer lending to microentrepreneurs, mostly in the global South but increasingly in U.S. inner cities, though as a dot-org it only pays back principal. Prosper and the Lending Club, both dot-coms, also pay interest (now averaging close to 10% per year). As a community, you might encourage your businesses to use these sites for loans and your investors to scour them for local business investment opportunities. Alternatively, you might take advantage of P2P lending sites that focus on community finance, such as [Solar Mosaic](#)) and [Community Sourced Capital](#).

(9) *Weave Investor Networks* – The Local Investment Opportunities Network (LION) of Pt. Townsend brings together local investors and businesses each month to establish "preexisting relationships" that facilitate the circulation of business plans. New [LIONs](#) are spreading around the country. Unlike traditional angel-investor networks, where entrepreneurs present their business plans at periodic dinners, LIONs often involve unaccredited (non-wealthy) investors.

(10) *Harness Federal Programs* – – Various national programs provide generous tax deductions for local investors who support anti-poverty initiatives through [New Markets Tax Credits](#) and provide other benefits to designated Community-Development Corporations (CDCs) and Community Development Financial Institutions (CDFIs). Make sure accredited investors and foundations in your region are fully aware of these opportunities, and encourage them to participate.

(11) *Promote Program Related Investments* – – By law, foundations must give away at least 5% of their assets each year. The other 95% is typically invested in distant stocks and bonds. Work with your local foundations to help them move that 95% (or even just 1%) into local business ([Program Related Investments](#)). If these businesses are "program-related" and the investment does not succeed, the foundation can apply any losses to fulfill its annual grant-giving obligations.

(12) *Take Your Local Businesses Public* – – Until recently, it has been very expensive to restructure a small business so that it could accept investment from the 99% of non-wealth people in your community who are "unaccredited." But thanks to "crowdfunding reforms" signed into law by President Obama earlier this year, new web sites like [CuttingEdgeX](#) bring down the costs of "going public" and allowing unaccredited investors to purchase as much as \$2,000 of local stock. Encourage your local businesses and investors to take advantage of these sites. You might even start your own...

(13) *Educate Local Businesses about Securities End-Runs* – Local businesses are largely unaware of ways of acquiring capital that do not require expensive, time-consuming securities filings. For example, in most states the pre-selling of goods and services are not regarded as securities. [Awaken Café](#) in Oakland raised more than \$50,000 for its new store from its customers by preselling coffee. In addition, many churches and unions are large enough to be regarded as accredited investors and are interested in supporting local business.

(14) *Create A Local Stock Market* – – As crowdfunding spreads, there will be a growing number of local stock purchasers who wish to sell their shares. You can facilitate this by creating a local or regional stock exchange. [Mission Markets](#) has a turn-key web platform that can enable your community to get started with this immediately.

(15) *Move Your Public Money* – – Where is your city doing its banking? If it's not local, lobby for a change. The [Bank of North Dakota](#) does this on a statewide basis, placing local tax collections and federal government transfer payments on deposit in local banks before it's needed. More than a half-dozen states are looking seriously at creating their own public banks. Meanwhile, states like Massachusetts are moving more public money into local banks.

(16) *Create a Local Investment Fund* – – Pools of capital are preferable to one-off investments because they diversify risk. There are thousands of local-investment pools around the country, most of them linked with local economic-development programs, but nearly all of them are only open to accredited investors. Important

exceptions that allow unaccredited investor participation include [MountainBizWorks](#) in North Carolina, the [New Hampshire Community Loan Fund](#), and [The Economic & Community Development Institute](#) in Columbus, Ohio. These funds demonstrate that it's possible to create nonprofits that can take money from all kinds of local investors, and use those funds to grow local businesses.

(17) *Create a Local Mutual Fund* – There are 7,500 mutual funds in the United States (in which unaccredited investors can readily invest), but not a single one invests in local small business. But there is no legal reason why a locally focused mutual fund could not be formed. The toughest requirement for mutual funds is that 85% of the fund need to be liquid, and that could be accomplished through local “slow munis.” The other 15% could be local stock.

(18) *Lobby Your Pension Fund* – In the absence of local pension funds, you can lobby your workplace pension funds to put some money in local stocks and bonds. Most managers of these funds will claim – incorrectly – that local investment is illegal under ERISA. Point out to them that many of the local investments outlined here outperform the US stock market, and therefore are completely legitimate investments for the fiduciaries managing these funds.

(19) *Form a Local Investment Club* – You and your friends can form your own investment fund on the cheap by forming a “club.” The legal key is that all your decisions have to be made together, as a group. A great example is [No Small Potatoes](#), a project of Slow Money Maine.

(20) *Prepare a Community List* – Knowledge is power. Imagine a local Craig's List of all the local investment opportunities in your community. A list like this is easy to create and invaluable for potential local investors. As long as the list does not “offer advice” on the quality of various investments, it is completely legal.

(21) *Spread Self-Directed IRAs* – Tax-deferred investing through an IRA or 401k typically is done through mutual funds, which means your money is stuck on Wall Street. By rolling over your funds into a [Self-Directed IRA](#), you can direct a custodian to invest instead in any and all of the items above. The main restriction is that you cannot invest in your family's business or home. But you can invest in your neighbors' businesses or homes, and your neighbor can invest in yours!

(22) *Encourage Your Neighbors to Rethink Their Finances* – There's a widespread mythology, spread by the investment industry, that patiently leaving one's money on Wall Street will generate the best returns for retirement, college, or other long-term needs ([Is the stock market safe for the long term?](#)). In fact, far better returns can be achieved through investing in one's own home (such as in energy efficiency), and in one's own education. And the single best way to localize your money and improve your rate of return is to wean yourself off credit cards.

(23) *Start a Slow Money Chapter* – Across the United States, groups affiliated with [Slow Money](#) are exploring all these strategies. The 17 active chapters, which involve both professional investors and newbies, have already mobilized \$21 million into small farms and food businesses.

(24) *Issue Slow Munis* – Your local government issues bonds all the time, often to support economic-development projects. How about creating bonds to finance local businesses? Several proposals over the last two years have been discussed to create “food bonds,” the proceeds of which might go into a local fund that collateralized loans from local banks and credit unions to high-priority local food businesses. Properly structured, the interest from these bonds could be tax exempt, and these bonds could be purchased by residents of your community.