Tips on How to Divest Retirement Accounts
(Supplement to What the Movement for Divestment Misses, by Scott Plous)

Because retirement plans vary, the safest way to divest from military contractors involved in war crimes is to check with your employer, financial planner, or tax adviser to find out what environmental, social, and governance (ESG) options are available, and then assess the pros and cons of each option in light of your retirement goals. In my case, I have a few different retirement accounts, all of which contain mutual funds, so my act of personal divestment simply required a change of fund choices from traditional mutual funds to ESG mutual funds.

I began by moving an individual retirement account (IRA) and a Roth IRA from the Vanguard 500 Index Fund (my original choice, which had a 15.76% average annual return over the past five years; ticker code VFIAX) to Vanguard's Social Index Fund (an ESG fund with a 15.80% annual return; ticker VFTAX). To make this switch, I just called Vanguard customer service and requested the change. Ten minutes later, I was done.

I did much the same thing with some TIAA retirement accounts, but because my school's retirement plan didn't offer the specific ESG fund I wanted, TIAA's customer service representative had me open "brokerage windows" to convert those accounts (a slightly cumbersome process, but not difficult).

None of these changes incurred fees or taxes. I should also add that it's easy to convert non-retirement mutual funds to ESG mutual funds, but non-retirement conversions may trigger capital gains taxes.

When choosing ESG mutual funds, one tool I found especially useful was the website WeaponFreeFunds.org, which hosts a searchable database that scores thousands of mutual funds, shows the performance of each fund, and provides information on hundreds of military contractors so that investors can avoid mutual funds that hold stock in companies of concern. The site also lists top-scoring mutual funds, and it provides scores on several other ESG criteria, such as fossil fuels, gender equality, tobacco, and guns.

To illustrate, the website gave my original Vanguard 500 Index fund a grade of D because 3.13% ($9.16 billion) of the fund is invested in 20 military contractors that make cluster munitions, landmines, white phosphorus, nuclear arms, and bunker-busting bombs used in Gaza. In contrast, Vanguard's ESG Social Index Fund received a grade of A because none of its investments include companies that make weapons.