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Talking points

Issue of the week: Goldman Sachs's 'toxic' culture

It was the op-ed heard round the financial world, said **Susanne Craig** and **Landon Thomas Jr.** in ***The New York Times.*** Greg Smith's stinging public resignation from Goldman Sachs last week, in which he criticized the firm for its "morally bankrupt" culture, landed on Wall Street "like a bomb," reigniting the debate over whether the greed and excess that caused the financial crisis still run unchecked. Smith, who had been with the firm for 12 years, said he was resigning because Goldman puts its own interests ahead of those of its clients, who are openly mocked as "muppets" within the firm. This "unusual cry from the heart of a Wall Street insider" further mars Goldman's already tarnished reputation.

Is the firm 'morally bankrupt'?

Give us a break, said ***Bloomberg.com*** in an editorial. Where exactly did Smith think he was working all this time—the Make-A-Wish Foundation? It must have been a "terrible shock" for him to realize that Goldman is indeed out to make money, and doesn't exist "only to bring light and peace and happiness to the world." Smith sounds more than "a little naïve," said **David Weidner** in ***The Wall Street Journal.*** The old Goldman he imagines, where loyalty and respect supposedly trumped the bottom line, "hasn't been around for a while, if it ever existed at all."

Is that the best Goldman's defenders can do? asked **Ezra Klein** in ***The Washington Post.*** Just because "it's well known that the firm will do absolutely anything to make a quick buck" doesn't make it excusable. Smith has identified a real shift: Goldman used to make money advising companies, which meant cultivating long-term relationships. Now it makes money trading, where short-term greed is rewarded, no matter the consequences for clients. Smith's exit screed simply confirms that "sleazy practices" remain the norm on Wall Street, said **Joe Nocera** in ***The New York Times.*** More than three years after the financial crisis, any banker who generates big profits, even with practices that are "detrimental to society," can still count on a "successful career and a multimillion-dollar bonus."

Maybe this is how real financial reform begins, said **Matt Taibbi** in ***RollingStone.com.*** Washington's regulatory efforts haven't made much of an impact, and neither have the Occupy protests. But big investors can now see that their financial advisers are "arrogant sleazebags" who can't be trusted to manage their money. Bailouts have allowed Goldman to think it need never fear going out of business. It's time the "muppet" clients convinced it otherwise by "taking their business elsewhere."

Making money: What the experts say

Is that pricey stock promising?

Deciding whether an expensive stock is worth buying takes some research, said Jack Hough in *The Wall Street Journal.* Investors should look at three factors: "robust growth, sustainable growth, and underappreciated growth." Robust growth is easy to spot: "Just look at earnings per share." For sustainable growth, consider a company's return on invested capital. Returns "in the 13 to 16 percent range are ordinary," while those above 30 percent "are excellent," and some companies, such as travel broker Priceline.com, are doing even better than that. The trickiest part is determining whether the stock price is still reasonable. One option is to compare price-to-earnings ratios with projected growth; the closer they are, the better the deal. A company selling for 21 times earnings with 23 percent projected growth is a better buy than one selling for 66 times earnings and 35 percent growth.

Reverse mortgages are back

Baby boomers are embracing the reverse mortgage, said Dan Kadlec in *Time.com.* People ages 62 to 64 now make up 21 percent of reverse mortgage applicants, according to a new MetLife study, up from just 6 percent in 1999. It seems boomers are "turning to reverse mortgages earlier to pay off debt or improve their lifestyle." But that can be a dangerous move, since the amount of money they get is determined by remaining life expectancy; the younger they are, the less they'll be able to pull out of their housing equity. Maligned in the past for high fees and excessive risk, reverse mortgages "are now far more consumer friendly," but they still aren't for everyone. A reverse mortgage calculator can help you compute whether it's smarter to sell the house and downsize instead.

True values investing

More Americans than ever are investing according to their moral principles, said David K. Randall in *Reuters.com.* Financial advisers managed more than $3 trillion in assets in 2010 using so-called socially responsible strategies, up from $600 billion in 1995. Research firms like MSCI screen stocks for environmental impact and corporate ethics, and others pursue a "more specific niche": Amana Funds, for instance, chooses stocks according to Islamic principles. GuideStone Funds, a line of Christian-based mutual funds, has one fund that returned 18.4 percent over the past year.

Charity of the week

Forest Trends (forest-trends.org) is dedicated to promoting the sustainable management of the world's forests. Founded in 1996, the organization brings together representatives of the forest industry with conservation leaders to create market-based approaches to preserving forests and improving the livelihoods of people who live in and around them. As part of this effort, the organization aims to create market values for the kinds of services forests provide us. Its Ecosystem Marketplace offers difficult-to-obtain data and news to help assign values to nature's goods and services, such as prices for carbon-offset trading and water-quality controls. The aim is to encourage companies and policymakers to invest in what we get from nature, in ways that benefit both people and the environment.

FOREST TRENDS

Each charity we feature has earned a four-star overall rating from Charity Navigator, which ranks not-for-profit organizations on the strength of their finances, their control of administrative and fund-raising expenses, and the transparency of their operations. Four stars is the group's highest ranking.

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