

Why is Impact Investing Important to Advisors and Clients

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Why should you care?

Because increasingly when advisors and their clients and prospective clients turn to the media, impact investing is in the headlines. From Barron's to The Wall Street Journal to the luxury lifestyle publications, impact investing is in the news. All of this attention, we believe, is generating meaningful interest in impact investing from clients and prospects.

In fact, interest in impact investing has doubled in the past eight years. In the U.S. in 2018, approximately 25% of total assets #1 was invested through an impact lens.¹ This is an aggregate total from individuals and family offices, along with major assets from institutional clients. Eight years ago, the percentage of impact assets was approximately 12%.² Globally, total 2018 impact assets are now over \$31 trillion, led by the EU and Asia.³

Women, Millennials and GenX are all driving this impact trend, as the media reports almost daily. At Veris, we see that women advance impact with their own assets and with their family's. Perhaps it's because they have greater consciousness of the risks in their investments, as studies of women investors have suggested. Perhaps they have a longer view, both for their portfolios and for their grandchildren. Or perhaps they have simply "had it" with gun violence and want to invest positively in themes like Gender Lens Investing.

We believe that Millennials are likewise far more interested in social and environmental concerns than their Boomer parents. They are not in the personal fight between impact and return, which continues to characterize their elders. They see return and impact as interwoven. While these twenty and thirty somethings may not yet have accumulated significant assets or control of all their wealth, in many cases they are the catalyst to push their parents or families toward impact investing. Today they can be engaged, prospective clients.

This interest in impact by Women, Millennials, and GenXers will shape the financial industry, as a \$68 trillion transfer of wealth is expected to occur over the next 25 years.⁴

Finally, foundations, ever so slowly, are realizing that they can combine their investment portfolios with their mission in the world. For hopefully double wins.

The ESG Movement

All of this is unfolding in a world where many brand-name asset managers are rushing to integrate ESG research criteria into their investment processes, including global names like Blackrock. Clearly, these firms believe ESG criteria can help them make better investment decisions, whether it is called impact or not.

What does this mean for advisors' clients? More and more they are responding to a world which they see facing major challenges. Concern about climate change has led them to drive hybrids and electric cars and take many other steps to reduce their carbon footprint. Income inequality and rebuilding communities are in the news daily.

As a result, many clients working in the Tech industry are looking to change practices working against women and people of color. Fortunately, they can now invest in positive approaches for equality and empowerment. They can also buy organic or sustainable or whole foods. Now they can invest in it. Global and local companies have been responding for 30 years to consumers "greening desires" in what has become a flood of impact/sustainable products and services. More and more, clients want their investments to align with how they live their lives and want their advisors to cater to these desires.

Given these trends, it's not difficult to understand why people increasingly ask advisors about impact investing. The good news is that meeting their needs can translate into more clients and deeper relationships. If advisors understand these values, they can develop the next generation of clients. Advisors who help prospective clients connect their life choices to their portfolios and philanthropy stand to benefit most.

The Opportunity for Advisors

When Veris was founded in 2007, we believed this big shift would come. We had no idea it would unfold this fast, with no let-up in sight. Through our consulting work with Envestnet and their Impact Investing Platform, we've also heard from other advisors and advisory firms about the roadblocks they are experiencing in implementing impact into their practices. Here's what we hear from advisors:

- “I simply do not understand the impact investment approach.” It can be hard for investment professionals to recommend what they don’t understand. Advisors can find it hard to adapt to these changes, particularly the wave of 55+ aged advisors looking toward retirement.
- Biases against impact themes remain in the advisory world. Ten years ago, the loudest person in the room often dominated the conversation in arguing against impact investing. “Climate change is a hoax; you’ll give up performance if you invest in ESG/impact; there aren’t enough products on the market.” These myths have been disproven, but there is still not universal acceptance among advisors. The “great new idea of impact” has room to grow at many firms.
- Many impact approaches can be confusing: Thematics, Screens, Integrated ESG/Sustainability, Proxy Voting, Portfolios built across all assets classes from Fixed to Private Deals. “We perhaps understand them one by one, but how to build a full impact-portfolio?”
- And of course, the big one: “My firm won’t approve impact products.” Or at least not enough to create a portfolio. We hear this objection frequently from advisors in big banks.

The challenges above are meaningful. They require more enlightened approaches in the workplace, so impact can be fully incorporated into client portfolios. As important, advisor education remains critical. And we need younger, female and more diverse professionals to inject new thinking into the traditional approach to investment management. We are already seeing the shift and the positive changes.

We believe impact investing will continue to grow rapidly. Many of your clients are either using impact approaches or are looking to you for help. Help them and you will build a robust practice for years to come. If you do, they have no reason to leave for the “other firm.”

About Veris Wealth Partners

Veris Wealth Partners, LLC is one of the nation’s leading impact wealth management firms. The Veris team believes that investment performance and positive impact are complementary parts of a holistic investment strategy. Veris has been named Best for the World by B Corp for seven straight years. Veris has offices in San Francisco, New York, Portsmouth, and Boulder, www.veriswp.com.

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¹ <https://www.ussif.org/currentandpast>

² <https://www.ussif.org/currentandpast>

³ <https://sdg.iisd.org/news/gsia-report-finds-increase-in-sustainable-investing/>

⁴ <https://www.cerulli.com/products-services/cerulli-publications/cerulli-report-series/>

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