Why Should Financial Advisors Care About Impact Investing?

You might be hesitant to integrate impact investing into your practice given myths that clients are not interested in it or that it is not for "serious" investors and sacrifices financial return for environmental or social objectives.

The reality is that impact investing is vital to future-proofing your advisory practice and can help you to:

Effectively respond to growing client demand

for your practice, especially from women and millennials who are increasingly controlling wealth.

Differentiate yourself from your peers

with deepened, more holistic client engagement and the ability to provide clients with strategies that meet their impact investing needs.

Create portfolios that will reflect clients' interest in

incorporating environmental, social, and governance (ESG) factors to identify opportunities, help mitigate risks, and build overall portfolio resilience.

Disentangling the myths about impact investing from the realities.

MYTH

The environment and society do not affect investors.

REALITY

Environmental and social phenomena affect investors and vice versa.

Investors are increasingly realizing that social and environmental issues – like public health and pandemics and climate change – are entangled with the financial system and in their portfolios. Some are using their power and influence to address these issues and build the resilience of the environment and societies that they depend on for financial success.

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MYTH

Impact investing is a passing fad; most investors are not interested.

REALITY

It is the future of finance; investors of all kinds are increasingly interested.

According to the US SIF Foundation, U.S. assets managed with an impact investing strategy grew at a compound annual growth rate of 16 percent from 2014 to 2018, to $11.9 trillion. While millennials and women are especially interested in these strategies, there is growing interest across all client segments.

MYTH

Impact investing hurts financial preformance.

REALITY

Impact investing can enhance financial preformance.

Much has changed from the old approach of simply excluding “bad” companies from portfolios. Investors are using increasingly sophisticated analyses of material environmental, social, and governance factors to evaluate risk and return. Moreover, research indicates that there is no performance penalty associated with impact investing strategies generally.

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