ENVESTNET PMC

Why Should Financial Advisors Care About Sustainable Investing?

You might be hesitant to integrate sustainable 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 sustainable 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 sustainable 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 sustainable 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 the power and influence of their capital to address these issues and build the more resilient environmental and social systems that drive positive financial outcomes.

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MYTH

Sustainable 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 US SIF, the Forum for Sustainable and Responsible Investment, U.S. assets managed with a sustainable investing strategy grew at a rate of 42 percent from 2018 to 2020, to $16.6 trillion[1]. While millennials and women are especially interested in these strategies, there is growing interest across all client segments.

MYTH

Sustainable investing hurts financial preformance.

REALITY

Sustainable 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 generally no performance penalty associated with sustainable investing strategies.

1 Source: "2020 Trends Report Highlights", US SIF. https://www.ussif.org/files/Trends/2020_Trends_Highlights_OnePager.pdf

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An investment's environmental, social and governance ("ESG") strategy limits the types and number of investment opportunities available and, as a result, may underperform other investments that do not have an ESG focus. An investment's ESG strategy may result in investing in securities or industry sectors that underperform the market as a whole or underperform other investments screened for ESG standards.

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