

Impact Investing: At a Tipping Point?

This 2018 briefing provides data gathered from a survey of affluent and high-net-worth people who give to charity to understand their interest in, knowledge of and experience with impact investing.



Impact investing is the practice of making purposeful investments that help achieve social or environmental benefits—while generating financial returns. In the charitable space, impact investing has been embraced by several prominent foundations, such as the Ford Foundation, as a way to ensure that assets ultimately committed to advancing social good through grantmaking are being invested in a way that aligns with those values.

Research demonstrates younger generations have a strong desire to integrate giving back and social change across their personal and professional lives.¹ Additionally, they perceive that the responsibility for making a difference is not limited to one sector but shared among a broad array of players, including businesses.² Indeed, almost 87% of Millennials believe that “the success of business should be measured in terms of more than just its financial performance.”³

At the same time, impact investing has also become much more accessible to the average consumer, with growth in options such as exchange-traded funds focused on companies that have positive social or environmental practices. Have these shifting attitudes and growing accessibility translated into greater knowledge and adoption of impact investing by affluent consumers? And what would it take for more consumers to explore this approach to values-based investing—particularly for those who are already demonstrating a commitment to giving back through charitable giving? The data explored here addresses these questions.

¹ The Millennial Impact Project, “A Generation for Causes: A Four-Year Summary of the Millennial Impact Project,” 2014, and “Top 100 Findings from the Millennial Impact Project,” 2016.

² Fidelity Charitable, “The Future of Philanthropy: Where individual giving is going,” 2016

³ Deloitte, “The 2016 Deloitte Millennial Survey,” 2016

Key findings

Impact investing is catching on, particularly with Generation X and Millennials.

A majority of affluent Millennial (77%) and Generation X donors (72%) indicated that they had made some form of impact investment, such as investing in a publicly traded company with good social or environmental practices. This compares with just 30% of affluent donors from the Baby Boomer and older generations.

Notably, most of those surveyed considered themselves to be experienced or very experienced investors, although investing knowledge was not a requirement of study participation.



The terminology of impact investing is not yet well known or understood—even by those who are making investments that can be categorized as impact investments.

Only 37% of survey respondents said they were familiar with the term impact investing and only 31% said they had made an impact investment prior to being shown the list of possible ways they could do so.

Millennials and Generation X have greater familiarity with the terminology than Baby Boomers, with nearly half of both cohorts saying that they had heard of impact investing prior to being shown the list.



Basic education on impact investing and guidance from financial advisors would most encourage investors to make an impact investment.

Overall, nearly 44% cited help from a financial advisor as the factor that would most encourage them to make an impact investment. Similarly, 42% cited having more information about impact investing. Another 42% said that having access to investments that have a track record of strong financial returns as well as social or environmental results.

For the most experienced investors, having access to impact investments with a track record of strong financial returns and easy ways to invest in low-cost funds or private investments were most important—perhaps unsurprising in a field that is still growing and changing rapidly.



Investors would consider making impact investments with assets set aside for retirement, for charitable giving or for other purposes.

Investors appear equally willing to try impact investing regardless of whether the assets used are ultimately intended for retirement, for charitable giving or for other purposes. For each category of asset, roughly 85% of respondents indicated they had at least some interest in making an impact investment.

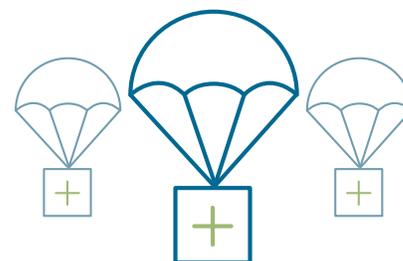
Among Millennials and Generation X, nearly half of respondents indicated that they were very or extremely interested in making impact investments with assets set aside in each of these categories.



Investors are interested in both simple and sophisticated options for impact investing.

Investors were most interested in investing in public companies with good environmental or social practices, either by investing directly (58%) or through exchange-traded funds or mutual funds (56%).

However, they also indicated a strong interest in investing in small businesses or start-ups with strong social or environmental practices (48%), venture capital or private funds focused on this category (45%) and in making loans to charitable organizations (42%).





There is an opportunity for financial advisors to initiate a conversation about impact investing and provide much needed and valued expertise.

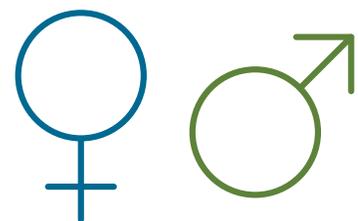
Among investors with financial advisors, about half had had a conversation with that advisor about impact investing. When investors reported a conversation had taken place, about 70% of the time they said it had been initiated by the financial advisor. This indicates the important role that advisors are playing in bringing broader awareness of the concept of impact investing and providing valuable counsel to clients who may be interested in investing in this way. Notably, less experienced investors are less likely to have had a conversation with advisors about impact investing, which indicates an opportunity with that group.



There is a gender gap in impact investing.

According to this data, women are lagging behind men in knowledge and adoption of impact investing. Only half of women had ever made an impact investment, compared with 69% of the men surveyed. Similarly, they were less familiar with the term impact investing, with just 29% having heard of the term compared to 46% of men.

This gap is likely attributable to the higher adoption of impact investing among the most experienced investors. Just 30% of women surveyed described themselves as very experienced with investing compared with 48% of men surveyed.



Explore the data

Respondents' level of experience with investing



Have you ever heard of impact investing?

37%

Yes



63%

No

	Millennial (18-37)	Gen X (38-53)	Boomer/Silent (54+)
Yes	49%	49%	14%
No	51%	51%	86%

Just 31% of respondents said that they had ever made an impact investment or invested in a socially responsible fund—until they were presented with a list of possible ways to make an impact investment. This indicates that many people have begun to integrate socially responsible practices into their investment approach; they simply aren't calling it impact investing.

Made an impact investment

(When shown a list of possible ways to make an impact investment)

60%

Made one or more impact investments



40%

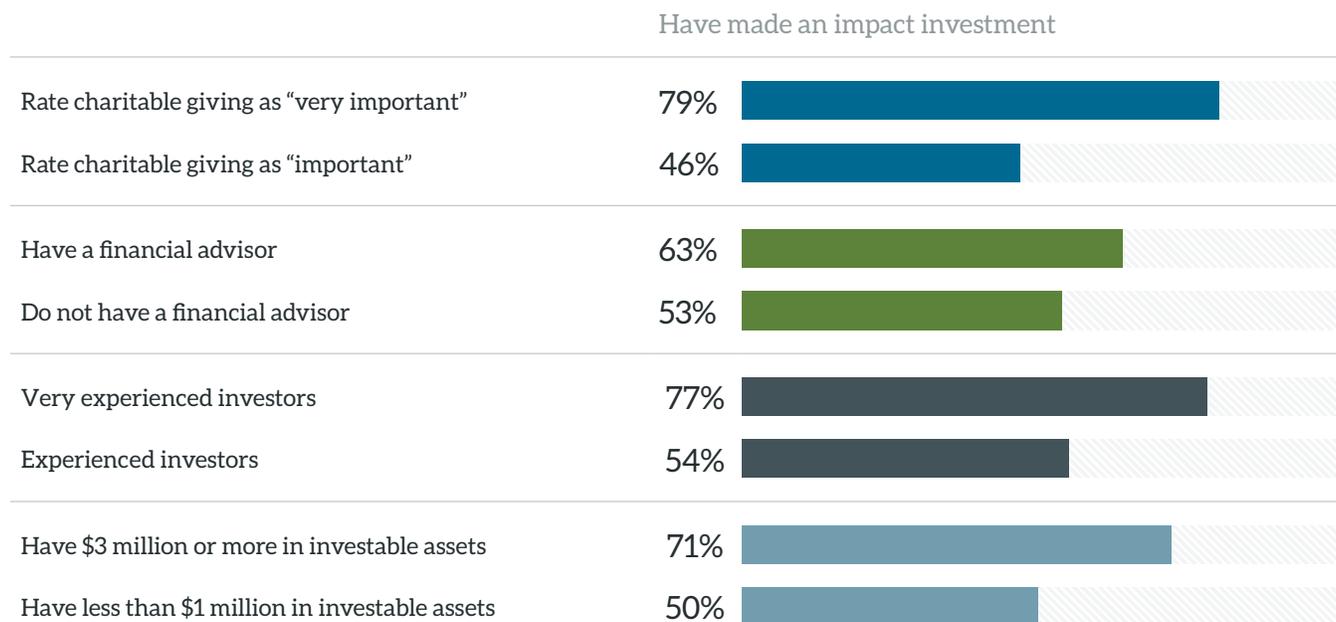
Did not make an impact investment/not sure

	Millennial (18-37)	Gen X (38-53)	Boomer/Silent (54+)
Made one or more impact investments	77%	72%	30%
Did not make an impact investment/not sure	23%	28%	70%

Options included investing in public companies with good social and environmental practices, investing in mutual funds or exchange-traded funds (ETFs) that invest in companies based on social and environmental criteria, investing in small businesses or start-ups that focus on social or environmental benefits, investing in public funds (such as venture capital) that focus on companies with social or environmental benefits, or providing loans to charitable organizations.

Characteristics of impact investors

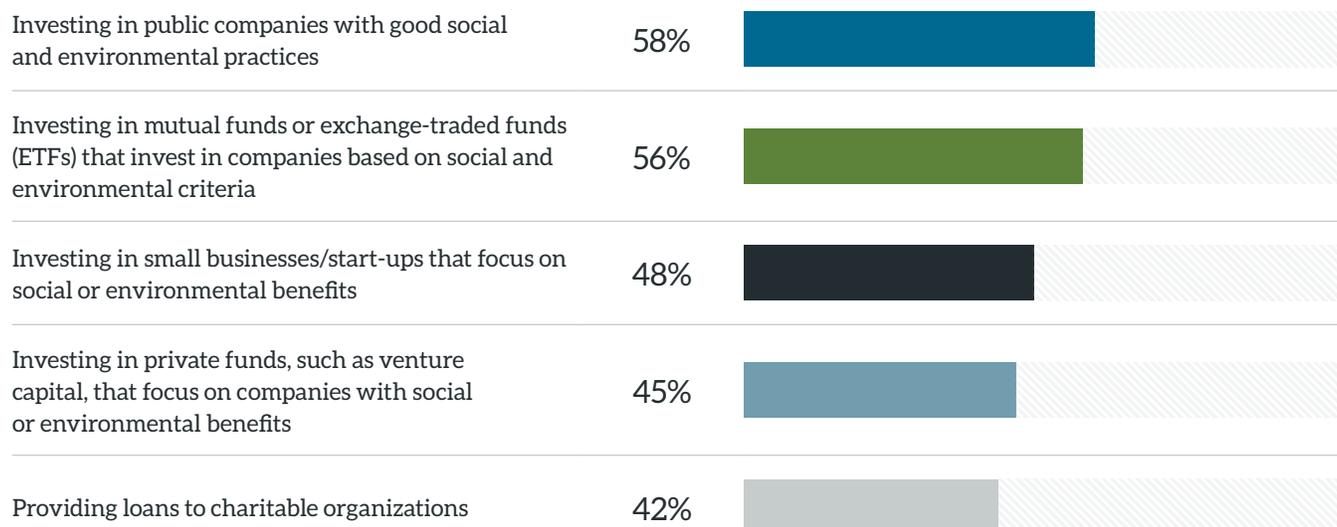
In addition to generational (p. 7) and gender differences (p. 10), those who have made an impact investment are more likely to have rated charitable giving as very important, to have a financial advisor, to be very experienced in investing and to be wealthier.



What would most encourage you to consider making an impact investment?

	Total	Investment Experience	
		Very Experienced	Experienced
Assistance from a financial advisor	44%	43%	44%
More information about impact investing	42%	43%	43%
Access to investments that have a track record of strong financial returns as well as social/environmental result	42%	52%	38%
Easy ways to invest in low-cost funds or private investments	37%	45%	34%
Better data on the social or environmental impact or results of my investments	35%	41%	32%

Impact investing options of greatest interest

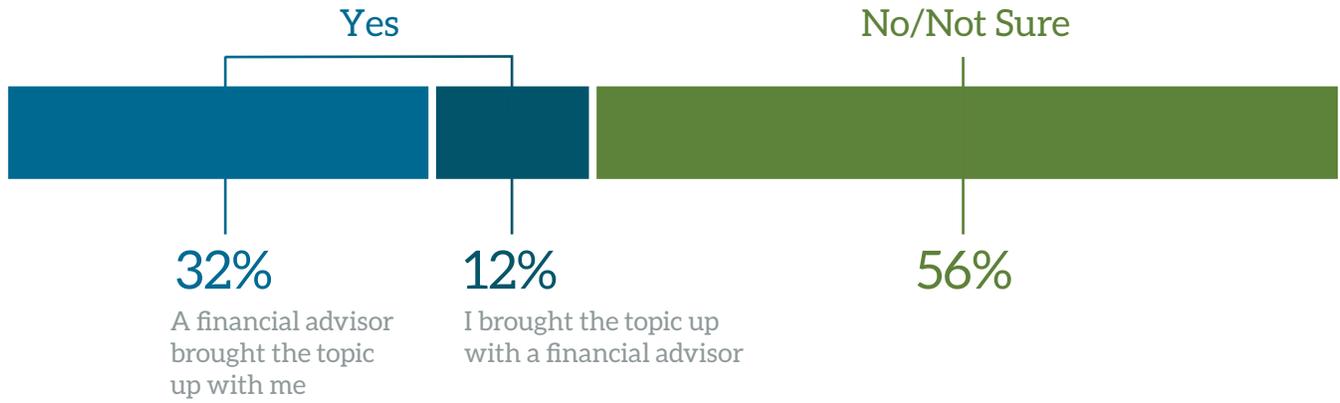


Interest in making an impact investment by asset type

Extremely/very interested	Total	Millennial (18-37)	Gen X (38-53)	Boomer/Silent (54+)
With wealth set aside for retirement	41%	49%	52%	23%
With wealth set aside for charitable donations	37%	50%	44%	19%
With all other wealth	32%	43%	41%	12%
Not interested				
With wealth set aside for retirement	16%	7%	7%	33%
With wealth set aside for charitable donations	14%	6%	5%	30%
With all other wealth	14%	7%	7%	28%

*Indicates percentage selecting as top two options of interest. Respondents could rank up to three options. They were not required to choose any options.

Discussed impact investing with a financial advisor*



Advisor-initiated conversations on impact investing by investment experience*



Gender differences in impact investing

Women		Men
51%	Made an impact investment	69%
29%	Familiar with the term impact investing	46%
34%	Discussed impact investing with an advisor*	55%
30%	Identify as a "very experienced" investor	48%

*Among those with a financial advisor

Methodology

This report is based on a 2018 survey of 475 total consumers with investible assets of at least \$100,000 who claimed charitable giving on their most recent tax returns or donated at least \$10,000 to charity. The surveys were conducted by W5, an independent research firm. The percentages reported exclude donor responses of NA/Unsure unless otherwise indicated.

About Fidelity Charitable

Fidelity Charitable is an independent public charity that has helped donors support more than 235,000 nonprofit organizations with more than \$26 billion in grants. Established in 1991, Fidelity Charitable launched the first national donor-advised fund program. The organization's mission is to grow the American tradition of philanthropy by providing programs that make charitable giving accessible, simple, and effective.

More about Impact Investing

Fidelity Charitable offers resources to help donors become more informed about impact investing, as well as a variety of options for donors using a Giving Account[®], or donor-advised fund, to participate in impact investing.

What is impact investing?

<https://www.fidelitycharitable.org/philanthropy/impact-investing.shtml>

Impact Investing Resources

<https://www.fidelitycharitable.org/private-donor-group/impact-investing.shtml>

Impact Investing and Your Donor-Advised Fund

<https://www.fidelitycharitable.org/articles/expanded-sustainable-and-impact-investing-options.shtml>

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