

THE IMPACTASSETS HANDBOOK FOR INVESTORS

GENERATING SOCIAL AND ENVIRONMENTAL
VALUE THROUGH CAPITAL INVESTING

Edited by
JED EMERSON



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Choosing Your Impact Investment Advisor

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Aligning your financial assets with your values in a holistic way most often requires intermediaries and advisors, or what is sometimes referred to as the “artisans of impact.” This chapter offers a variety of resources, but we must begin with the caveat that we are not endorsing any individual firm, financial product, investment strategy, or even approach. Our comments are not investment recommendations, but rather an effort to offer an overview of the vast landscape of resources available to you. Along with many impact investment advisors, we think about “impact investing” as simply “investing,” taking into account the additional risks and opportunities resulting from social and environmental externalities in an increasingly complex financial system—and our hope is that this chapter proves to demystify some of the “impact” rhetoric that may lead to better decision-making.

Our target audience for this chapter includes asset owners ranging from retail investors to high net worth individuals, foundations and institutions ranging from \$5 to \$50 million. If you are reading this chapter, you may manage your own portfolio or seek the professional advice of a financial advisor, but in either scenario, are interested in going beyond the status quo to explore how to deepen the alignment and positive impact of your investment strategy. We hope to provide practical questions after each section, and offer key considerations, relevant resources, and

decision-making criteria. In a sea of many self-proclaimed impact investing products and experts, it is important to know how to find experienced and authentic impact investment advice—not just “advice.”

Delphi’s Saying

“Know Thyself” (and thy needs) is the precursor to any advisor search. Whether you are an individual, couple, family, foundation leader or appointed trustee, it is paramount to first clarify your needs and values prior to embarking on an advisor search—especially an impact advisor search. Those who desire to activate their impact portfolio in all asset classes will most likely require professional assistance at some point in their journey.

To begin, we would suggest focusing on a few simple questions:

1.Q. What is the purpose of the wealth?	}	<ul style="list-style-type: none"> • Discuss the source of wealth, the legacy, and the intentions for the assets; • Discuss internally your financial and nonfinancial priorities, including your values, social and/or environmental goals
Q. Do I/we need an advisor?	}	<ul style="list-style-type: none"> • Discuss the complexity and size of assets; • Can you access desired investment products on your own? • Do you need financial planning, tax planning and other services? • Where are you in terms of strategy development and education?
Q. What is the decision-making process to select an advisor?	}	<ul style="list-style-type: none"> • Discuss your search process, how you intend to evaluate your options, and desired timeline.

Retail Investor Options

If you are not working with an advisor, either by choice or circumstance, you can build a mission-aligned impact portfolio, in a variety of meaningful ways, on your own—although we must caveat this assertion as we’ve seen all too many missteps in this rapidly evolving field. For the true “do-it-yourself,” the primary challenges tend to lie in strategy development, investment due diligence in all asset classes (one investor may be an expert in venture capital, but may need assistance investing in public markets), impact reporting, and ongoing monitoring of a suite of impact investments. Engaging in meaningful research, including speaking

to other investors, reading not only this chapter but other books and reports available online, and even attending impact investing conferences, can all be helpful and are highly recommended.¹

The lowest hanging fruit when it comes to dialing up the impact of your investments is to consider your banking relationship. As a first step, you may consider moving your savings and checking accounts from a large bank to a community bank whose deposits are used to lend to local entrepreneurs, support minority-owned businesses, or invest in your local community.

Beyond cash, you can begin to assess the individual stocks and bonds held in your brokerage account. A first step is to “know what you own,” and a review of your underlying stock and bond exposures is a useful place to start. Depending on how you manage your assets, a transition toward socially responsible investment strategies employing negative or positive environmental, social and governance (ESG) approaches are available to you through various mutual funds. These approaches can screen out harmful sectors (weapons, fossil fuels, etc.) and/or tilt portfolios toward positive corporate behaviors (companies with diverse governance, commitments to environmental disclosures, etc.). These mutual funds or index funds are considered “actively managed” as the managers are actively changing the “ingredients,” or underlying stocks and bonds within the fund based on E, S and G factors. Passive approaches, or investing in market indices, can be designed to simply screen for exposures that run contrary to your values and are available through exchange traded funds (ETFs) or index funds.

Retail investors may also access more innovative approaches, such as green bonds (financing environmentally friendly projects aimed at energy efficiency, pollution prevention, sustainable agriculture, fishery and forestry, etc.). The debt options for nonaccredited investors,² which include debt products from a variety of sources that provide investment notes, include Community Development Finance Institutions (CDFIs) and Credit Unions. For a list of CDFIs, please refer to Opportunity Finance Network (<http://ofn.org/cdfi-locator>), which offers a registry of financial institutions with different sectors of focus and geographies. The minimum balance for a loan can be as low as \$500 with a single-digit interest rate.

And lastly, there are many other product offerings available to retail investors, including equity crowdfunding and the new, but rapidly emerging “straight-to-consumer” socially responsible “robo-advisors.” These investment models and business propositions are still early on in their evolutionary development, but may offer an interesting approach for retail investors over the coming years. The promise here is greater “democratization,” lower price points and more streamlined service offerings. If, however, you have decided the complexity of your financial picture requires professional assistance, or seek more innovative approaches to fulfill your goals, we will now turn to reasons for which families, individuals and foundations are seeking professional impact investment advice.

Motivations behind an Advisor Search

For Individuals

Motivations driving high net worth (HNW) individuals to engage impact investment advisors are highly personal, ergo the motto often used by the President of Threshold Group Ed Lazar: “When you meet one family, you’ve met one family.” The press often represents that two demographics, millennials and women, are driving the charge toward impact investing. Although we see this trend playing out, in practice, we have come across a variety of demographics embarking on this journey.

In some cases, the older generation (male or female) may be the ones initiating the process of exploring how best to engage in more than simply traditional investment practices. In some cases, the family has grown to care deeply about a specific social issue, such as supporting local businesses through a CDFI and needs a professional to access these financial products. In other cases, another generation of family members have become philanthropically engaged in an issue such as Women’s Rights, or eradication of Modern Day Slavery, and recently learned they could do more through their investments, but their current advisors don’t know how to address their requests. And other asset owners are driven by innovation, and have heard of social entrepreneurship,

microfinance or mobile money in East Africa, and wonder how they can invest in frontier markets. Asset owners are also increasingly realizing they can have a voice through investment and shareholder engagement—not *only* through divestment—which was better known due to the anti-Apartheid divestment movement.

Another driver is that seasoned impact investors are now being more vocal and engaging social media platforms to communicate their ideas. Traditionally, speaking publicly about money or one’s investments and financial returns was taboo or perceived as inappropriate (especially outside of the United States), but the veil of silence around wealth and investing has now been lifted and private citizens of financial means all over the world are willing to share their financial journeys. Experienced asset owners are investing assets in a socially responsible fashion in all asset classes, and trying to encourage others to join them by sharing their stories (successes and failures), portfolios and investment decisions through online publications,³ public events, social networks and even mainstream media. This has created a tidal wave of demand in the past few years from new entrants. This growth in demand explains the “mainstreaming” of impact investing services from large wealth management outfits and the growth of “impact” advisory firms and asset managers. As a result, asset owners wish to explore how they, too, can take part in the era of the conscientious investor.

For Foundations

Motivations driving foundations to engage an impact investment advisor run the gamut from the moral imperative—that “OMG!” moment when you realize your grants are funded by profits that run contrary to your mission—to the strategic acceleration of your theory of change by unlocking a greater portion of the foundation’s assets for social purpose. What has been viewed as a fringe argument by some is gaining considerable traction separate from these other motivations led by the “heart” and the “head.” Foundation impact investing may no longer be a matter of reason or responsibility, but a matter of rule. Consider this argument for a second: organizations that have been privileged with federal tax-exempt 501(c)(3) status for the purposes of serving public

interest (and the significant tax-advantaged benefits afforded to them) should be required to align their investment portfolios to serve this same public benefit.

As you consider that potentially provocative statement, know a small set of foundations have been among the earliest adopters of impact investing and represent a large (and growing) source of capital to the impact investing ecosystem. This makes sense given many foundations have clearly articulated missions, values and programmatic goals by which to align their investments. Adding to this natural evolution, foundation directors, leaders and staff tend to be experts in assessing the nonfinancial outcomes of their grants, that is: the return on investment (ROI) on their “investments.” These internal forces, coupled with strong external policy momentum, are driving foundations to consider the value of impact investing at scale—and seeking the advice of professional impact investors to support their efforts.

Whether you’re motivated by principle or prudence—or simply complying with ever-changing regulations surrounding fiduciary duties and prudent financial management—identifying a professional impact investment advisor can be an asset in marrying the often-opaque realm of philanthropy with the more structured realm of investing. At the most basic levels, an impact investment advisor should be well versed in foundation structures, governance, planning, investing, implementation and reporting. But most foundations—especially those reading this chapter—need more than simple formulaic investment advisory, legal and tax services. They often need an advisor who deeply understands (and, we’d argue, cares about) their mission, vision, and values—and can effectively communicate impact integration with the broad set of stakeholders involved in most foundations. The best impact investment advisors are not just great investors, strategists and facilitators, but have a deep grasp on the scientific, policy and social issues that are core to a foundation’s philanthropic agenda.

Advisor Landscape

Understanding the skills, experience and styles among investment advisors is fundamental to the search, evaluation and ultimate

selection process, no matter where you are in the discovery phase. We have outlined below questions to consider asking as you research and interview a specialized impact investment advisor.

Types of Advisors

A variety of advisors exist, available through individual private consultancies or professional services firms, who may have a socially responsible focus: registered investment advisors (RIAs), stock brokers, chartered financial analysts (CFAs), certified financial planners (CFPs), multifamily office professionals, wealth advisors, investment and strategy consultants, private bankers and trust officers.

A number of highly qualified consultants at Arabella, Bridgespan Group, Hirsh and Associates, Tideline and other firms help foundations develop philanthropic and impact investment strategies and provide structured facilitation, collaboration, coaching and discovery for key stakeholders. For those looking for highly engaged, strategic advisors, thought-leaders such as Jed Emerson (also the editor of this book) have helped families on this personal journey for many years. For individuals, intermediary organizations and collaborations such as ImpactAssets, Investor's Circle, Social Venture Partners and others provide opportunities to interact with practitioners, share deal flow and vet opportunities. Networks like Confluence Philanthropy, Mission Investors Exchange, Toniic and others create thought-leadership pieces, national and regional convenings and share best practices amongst asset-owners. Investment advisors, such as Ivo Knoepfel of OnValues in Zurich, provide investment advice, but do not manage funds directly. That is, these consultants help clients search and select investment managers, but do not directly execute individual fund strategies.

Examples of RIAs that offer advisory services and sell proprietary investment products include Arjuna, Mercer, Nelson, Parella Weinberg, RBC, Sonen Capital and Zevin Asset Management. Examples of RIAs that offer advisory services only but do not sell investment products include Athena, Cambridge Associates, Federal Street, The CAPROCK Group, Threshold Group and Veris Wealth Partners. These advisory firms, whose names have been sourced from Confluence Philanthropy's "Finding Your Way

to the Right Impact Investing Advisor” publication, offer investment advisory, implementation and financial reporting services. And last, but certainly not least, large banks and brokerage firms such as Goldman Sachs/Imprint, JP Morgan and Bank of America offer impact investment advisory services, industry research and product development. For a specific list of services offered by these firms, we recommend looking at Confluence Philanthropy’s publication, “Finding Your Way to the Right Impact Investing Advisor,”⁴ available online.

For asset owners looking for impact portfolio construction in multiple asset classes with deeper impact expertise, we will focus specifically on the RIA market. We encourage you to go online and research advisors through the Securities and Exchange Commission (SEC) Adviser Search portal.⁵ There you will find public information pertaining to each RIA’s advisory business, management team, governance, fees and compensation, types of clients, methods of analysis, code of ethics and disciplinary information.

Q: Does the advisor have specialized expertise across a broad range of tax-exempt structures?

- Family foundations, private foundations, community foundations
- Public charities, public trusts, endowments
- Social enterprise LLCs, collaborative networks

Registered Investment Advisors versus Registered Investment Advisors with Product Offerings

Most RIAs offer comprehensive wealth management services, including portfolio construction, asset allocation and financial reporting, and some offer proprietary impact investment products (spanning public market solutions, including stocks and bond products and private market solutions, including private equity and venture capital funds). There are pros and cons to each. While some clients may appreciate the “all under one roof” approach, others may feel uncomfortable working with firms that populate portfolios with their own financial products due to potential conflicts of interest (real or perceived). Those with investment products have an economic incentive to place your assets with their own financial products. Other advisors do not

offer any proprietary products and, as such, provide arms-length relationships from fund managers (i.e. the investment products), providing a potentially more objective view across products and the ability to terminate relationships at any time. We always recommend asking your prospective advisors which category they fall into and how they handle the potential conflict of interest issues.

Q: How is the RIA compensated?

- Does the advisor only offer investment advisory services or does it also offer products?
- Describe the fee schedule, including both implicit and explicit fees

Size Matters

Impact advisors range from small (<\$500 million of assets under management (AUM)) to large firms (\$15 billion+ of AUM). Smaller firms may offer a high touch boutique approach to understanding your financial goals and values. These firms typically are able to build highly customized portfolios, and tailor impact reporting, strategy and assessment to you. Larger firms may offer a more institutional-scale approach to aligning investments with your goals and provide access to a platform of institutional investment products through deep investment research functions that may be less bespoke. Through the ADV filing with the SEC, RIAs can specify their “assets under management” versus “assets under advisement.” Assets under management are those where the SEC has defined as “continuous and regular supervisory or management services of securities portfolios” and assets under advisement as those assets where the firm “provides advice or consultation but for which your firm either does not have discretionary authority or does not arrange or effectuate the transaction,” that is, without implementation responsibility. Simply stated, the firm’s AUM is a more accurate reflection of an advisor’s fiduciary management responsibilities.

One other consideration is the relative size of your asset base compared to the overall AUM of the advisory firm. You may not want to represent a significant portion of the firm’s AUM, as you may want to ensure your advisor has significant experience and capacity to manage your assets. Another factor to consider is the financial viability of the firm. A smaller impact investing advisory

firm may not have reached sufficient scale to be financially viable whereas a large firm may have a more sustainable revenue model. For a firm managing assets, it is paramount to ask about the overall AUM of the firm, its financial sustainability, investor base and growth plans. For those firms only providing investment advice and not managing assets, the asset base under advisement may not be as relevant, but it is important to ask about the firm’s business model and financial viability, as well as its own source of investment for growth.

Q: Can you tell me more about the financial health of your firm?

- Can you describe the firm’s ownership structure and governance? Some information may be undisclosed?
- What is your revenue model?

Q: Can you tell me more about the firm’s clients?

- Review the Form ADV Part 1 and Part 2A
- Disclose total AUM and average client AUM (for firms which manage assets)
- Specify number of clients and types of clients and (individuals, institutions)

Discretionary versus Nondiscretionary Relationships

You can provide your advisor with different levels of authority on your portfolio by establishing a discretionary or nondiscretionary relationship agreement. Discretionary relationships allow your advisor authority to buy and sell securities on your behalf whereas nondiscretionary relationships require that the advisor make investment recommendations that must be approved by the client prior to being purchased. A nondiscretionary relationship will take more investment of your time, as this could also require you to become better educated on values-based strategies, the investment and impact thesis and the role of the investment in your portfolio. Through this, you will work closely with your advisor—but beware—this can become a real time-commitment.

Q: How many of your clients have a discretionary relationship?

- Ask to speak to both discretionary and nondiscretionary clients to understand their reasons for their choice. What is their time commitment?
- Discuss internally your appetite for being involved in investment decisions

Human Capital and Cultural Fit

When speaking to prospective advisors, we recommend asking who exactly would be part of your advisory team. Understand who will be your primary relationship manager, the lead investment professionals and any others who will be servicing your account. This will help you gauge whether their skill-set and interpersonal skills fit with you and your family, or your foundation staff. Some advisors develop close-knit relationships with their clients while others will remain at arm’s length. Impact investing advisors are also known for being more socially engaged with their client-base than traditional advisors, which is likely due to their personal connection with the work, interest in social and environmental outcomes and the like. We also recommend asking for a minimum of three client references to better understand how the team would work with you and your family.

Q: What are your firm values? How do you like to communicate with your clients?

- Discuss the firm values and culture
- Spend time in various settings with team members
- Discuss the investors’ personal values, and motivations
- Evaluate “communication styles” and trustworthiness

Investment Expertise

Your investment advisor should have significant investment experience, which may be evidenced through professional designations such as Chartered Financial Analyst (CFA), Chartered Alternative Investment Analyst (CAIA) and so on. Understanding their investment experience in managing financial assets, investment philosophy, research processes, decision-making structures and track records are key components in your due diligence.

Q: Does the advisor have investment expertise, provide institutional rigor, and adequate risk management?

- Ability to generate asset growth while meeting operational and grantmaking needs
- Truly aligned investment portfolios with mission, values and grantmaking strategies
- Embed risk mitigation strategies integrated throughout institutional quality due diligence and asset allocation processes
- Developed a goals-based approach to address any inherent tensions between impact and traditional portfolio management
- Strategic planning around long-term sustainability

Impact Investing Expertise

Environment, Social and Governance versus Thematic Focus

Some advisory firms have broad-based experience in socially responsible investing (SRI) or environmental, social and governance (ESG) investing, while other RIAs have developed deep thematic expertise around environmental sustainability, gender lens investing, financial inclusion, education and so on. It's important to ask the advisor which approaches they pursue and how they intend to express specific themes within your portfolio. You may only want to have a general approach to impact investing to support positive social and environmental outcomes—so a more generalist firm may be sufficient. But if you care deeply about providing access to capital for the underbanked, for example, a generalist advisor may not know which private equity fund will be best in class, or which interventions (savings, financial education, credit) are the most catalytic.

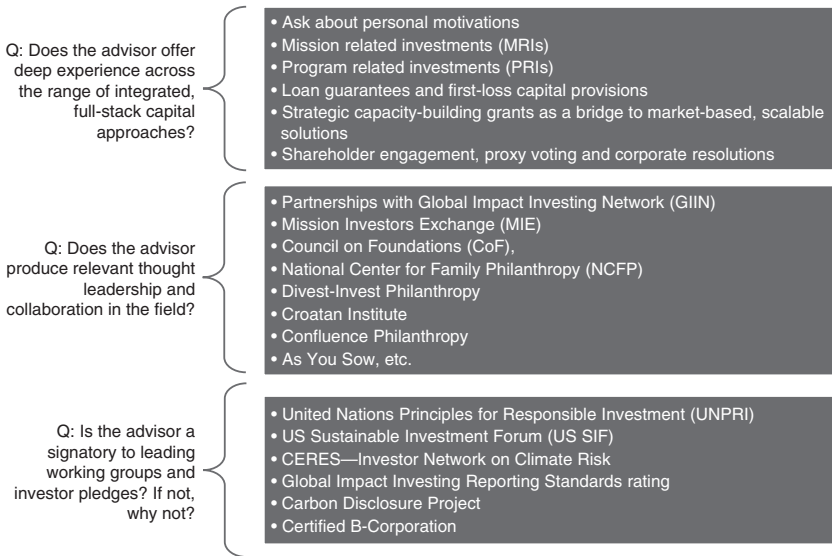
Q: Does the advisor represent clients across a broad range of programmatic initiatives?

- Environmental sustainability, climate change and advocacy
- Social justice, diversity and inclusion, indigenous rights
- Healthcare, education, human rights, wellness
- Regional economic development, financial inclusion and rural economic advancement

Impact Washing

Outside of asking about the investment or financial planning credentials (CFA, Certified Financial Planner™ (CFP®), etc.) of your prospective advisor, we would also recommend asking very pointed questions regarding their understanding of underlying issues that you personally care about: climate change, social justice, affordable housing and so on. Over recent years, the sector is seeing a growing number of self-proclaimed “impact advisors” who may not be familiar at all with issues of environmental science, equity, poverty, economic development or fair housing that the asset owner may be seeking to address. The growth of “impact washing” is such that it requires the asset owner to be unafraid to ask about the intentions and knowledge of the prospective advisory firm (e.g., “What motivates you? Why did you choose this career

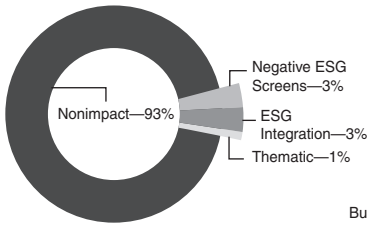
path?”). We recommend asking about their research and what intellectual capital or blogs they have written on a given subject. If the advisor is not knowledgeable about key environmental issues like the Dakota Access Pipeline or social issues like Gender-Parity in the workforce, he/she may not be able to conduct informed due diligence on strategies (public or private funds) in an authentic fashion or informed manner.



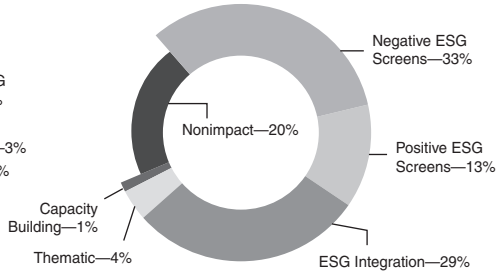
Total Portfolio Management: Activation for Impact

Most traditional advisors may offer some SRI or ESG funds on their investment platforms or can help build a 5 percent impact carve-out of a total portfolio that is values-aligned. However, a handful of advisors in the United States (at least in 2017) can offer a fully diversified impact portfolio across asset classes. If you wish to embark on the journey of impact investing, moving from a small percentage to perhaps a “total activation” of your portfolio, it’s important to ask your prospective advisors about their experience in going beyond “carve-outs.” Below you will see an example of an impact portfolio in transition, spanning all asset classes.

Portfolio as of June 2012
7% of portfolio in ESG or Impact



Portfolio as of March 2017
80% of portfolio in ESG or Impact



For illustrative purposes only

Source: Threshold Group, 2017

Q: Does the advisor have local, national or international leadership on impact investing tools and trends?

- Achieve total portfolio activation, or 100% impact investing across asset classes, if desired
- Implement divestment strategies using all the tools in the toolkit
- Design and implement thematic and place-based investing strategies
- Develop focused carve outs for catalytic, aspirational objectives

Divestment Strategies

One important tool to leverage for asset owners is the option of divesting from securities that relate to sectors or industries you feel do not mesh with your values, as a family, trust or foundation—*while optimizing* for your financial goals. An experienced impact advisor should be able to build a tailored framework for signatories of Divest/Invest to divest from fossil fuels, for example, and then reinvest in clean energy or carbon sinks. Drafting a multi-year divestment and investment plan related to climate change or another topic such as human trafficking/modern day slavery is an important skill-set that may be necessary to further your impact goals. When interviewing prospective advisors, you can ask for examples of such a plan.

Q: Does the advisor have experience developing divestment and reinvestment plans?

- Ask for examples of client portfolios from signatories of Divest/Invest. Advisors can share sample portfolios without disclosing names of clients or fund managers.

Shareholder Engagement

Another catalytic tool to explore with your advisor is his/her experience in shareholder engagement—which can take many shapes. The first step is having the underlying fund managers in your portfolio meet with corporate management to discuss an important issue held by stock-owners, such as excessive executive pay or corporate political campaign donations. Proxy voting is defined as a ballot cast by one person on behalf of a shareholder of a corporation who would rather cast a proxy vote than attend a shareholder meeting. A shareholder resolution is a 500-word maximum proposal that must be included in the company’s proxy statement and voted on by shareholders. Actual corporate behavior can change as a result of shareholder engagement—such as McDonald’s move from Styrofoam cups to paper cups thanks to the work of the shareholder advocacy organization called As You Sow. An experienced impact RIA should be able to walk you through the many options available to you, and explain which managers and partners they may use.

Q: Does the advisor engage in shareholder activism?

- Does the advisor go beyond manager-led proxy voting?
- Does the advisor help facilitate filing of shareholder resolutions?

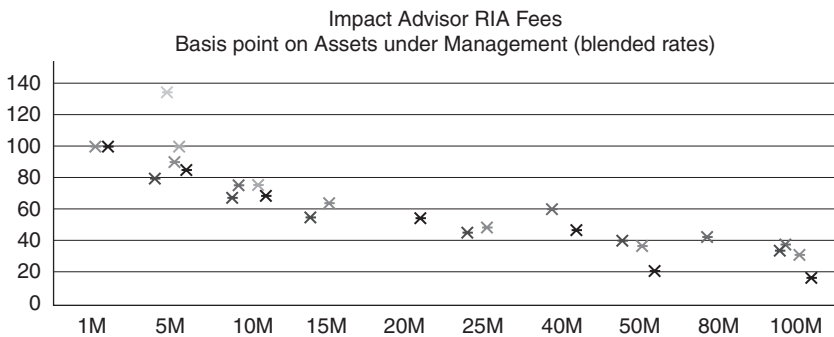
Summary of Service Offerings

There is a range of services—some basic and some highly specialized—that must also align with your desired scope of services. At the most basic level, RIAs provide investment advice in the form of asset allocation, portfolio construction, investment recommendations, financial performance reporting and ongoing monitoring. Those are fundamental services that, as a result, have become fairly commoditized—even robots are doing them. This has led most impact investors to value deeper, more tailored service offerings. We realize that this list is not exhaustive but hope it will help summarize what is a typical scope of services from an impact investing RIA.

<p>1. Relationship Onboarding and Goal Setting</p>	<ul style="list-style-type: none"> • Creating an inventory of your goals and objectives including capital appreciation, investment stability and liquidity, and impact and mission related investing; • Understanding your current investment portfolio by reviewing investment holdings, distribution requirements, target returns, risk management, time horizon, tax status, carry forwards, and multi-year commitments; • Creating a data-driven financial plan to help you meet your investment objectives; • Utilizing of a diagnostic tools to prioritize non-financial outcomes; • Developing an integrated Investment Policy Statement (IPS) including impact and non-impact goals.
<p>2. Delivering Comprehensive Investment Management</p>	<ul style="list-style-type: none"> • Goals-based investment solutions for a variety of portfolio types (private foundations, community foundations, public trusts, endowments, non profits); Fully integrated traditional and impact investing solutions; • Dynamic portfolio construction including strategic and tactical asset allocation; • Institutional quality manager research, due diligence and monitoring; • Investment execution and cash flow management; • Monthly financial reporting, quarterly performance reporting and annual impact reporting; • Portfolio stress testing, including sustainability and scenario analysis.
<p>3. Strategic Impact and Mission Related Investing Broad and deep understanding of traditional and impact investments;</p>	<ul style="list-style-type: none"> • Facilitating impact investing conversations through diagnostic tools and values-based surveys; • Utilization of the entire investment toolkit including total-portfolio activation, mission related investments (MRIs), program related investments (PRIs), catalytic direct investments, loan guarantees, capacity building grants, etc. • Access to broad based Environmental, Social, and Governance (ESG) strategies across public equities and fixed income markets; • Access to thematic and place-based private equity and venture capital; • Divest-Invest strategies and low-carbon portfolio management; • Place based investing to align with geographic grantmaking and focus areas; • Facilitation of shareholder engagement, proxy voting, and corporate resolutions; • Annual impact reporting, impact evaluation through quantitative and qualitative analysis at portfolio and investment strategy levels.
<p>4. Foundation Board and Committee Governance Expertise (Foundations Only)</p>	<ul style="list-style-type: none"> • Experience with multi-stakeholder relationships, including intergenerational families, external boards and promoting next-gen leadership; • Industry best practices around board governance and investment decision making; • Facilitation of investment committee meetings and updates; • Development and compilation of Board and Investment Committee dockets; • Coordination among program staff, accountants, attorneys, advisors and programmatic consultants.
<p>5. Investment Education and Strategic Planning</p>	<ul style="list-style-type: none"> • Comprehensive educational content for boards, investment committees and staff on a variety of financial and non-financial topics for effective foundation investment management, goal-setting and alignment; • Planning for changes in perpetuity goals, leadership, mission and governance.
<p>6. Thought-Leadership and Capacity Building</p>	<ul style="list-style-type: none"> • Support on proactively discussing foundation investment strategy and impact investing through media contacts, website content, etc. • Partnership on case studies, conference panels, webinars.

Pricing Summary

Although pricing for the services discussed in this chapter are often negotiated and tailored to your unique needs, you should always ask for a prospective advisor’s scope of services with their Form ADV Part 2, which includes the fee schedule for their core service offerings. Pricing schedules are confusing to prospective clients, and a general practice is to set pricing floors at specific asset levels. To actually understand the fees you would actually pay on your assets, you will need to calculate a “blended” rate. We looked at some of the most notable impact investing advisors in the market today, and charted out the pricing to give the reader a sense of cost on a blended and annual basis. Please note that this does not include the underlying fees charged by fund managers (i.e., the products) in one’s portfolio—this only includes the RIA fees for advising and implementing. For example, a \$20 million portfolio, at a 54 basis points rate, means that the client would pay a recurring \$108,000. As the AUM grows, the basis point fee decreases, as illustrated below. For full pricing details, you should refer to an advisor’s Form ADV Part 2 (the Disclosure Brochure)⁶ which, as noted earlier, is publicly available online.



Impact RIAs are generally found to be more expensive than similarly sized firms that do not provide impact investing services. This proposition lies in the fact these firms need to be financially sustainable to scale and support their manager research, but they also have the added costs of impact reporting and ongoing

training in a growing field where norms on the impact side are not yet set. Though there is a convergence toward using UN Sustainable Development Goals as targets, there is no global authority on impact measurement or auditing. Therefore, we do believe higher pricing is warranted for the time being as the RIAs in the space are investing in a new breed of investment strategies and developing new frameworks.

Q: Does the advisor have different pricing for different levels of impact services?

- Start with defining the scope of work for *recurring* wealth management services.
- Once scope of work is agreed upon, ask for a fee structure
- Some additional services may be offered as a one-off special project—which may require a one-time pricing proposal

Conclusion

Access to impact investing products and services is available to retail investors today, though it is not yet easy or completely “off-the-shelf” since impact investing has not gone fully mainstream. Therefore, hiring an advisor is often necessary—especially at certain levels of wealth. Finding the right advisor can be a time-consuming process, whether you are conducting the search on behalf of yourself or an institution—but it’s worth taking this process very seriously. The outcome may not just be the growth or preservation of an endowment or a trust, but also the potential for doing actionable good in the world around you. Since these relationships are long term, built on trust and mutual appreciation, we recommend taking your time and not being afraid to ask questions—you are entitled to know what an advisor would do for you, including what motivations he or she may have for you, their firm and even themselves. When the relationship is a good fit, the services provided should help you for generations to come and help ensure that you leave a positive social and environmental footprint as a lasting legacy.

Notes

- 1 Although we do not endorse financial products, you can refer to articles that mention retail product examples: they include Fran Seegull’s article “How to Make a Difference through Socially Responsible Investing,” published by

Conscious Company, April 4, 2015, or “Impact Investing for the Rest of Us,” by Marina Leytes and Jérôme Tagger published by Impact Alpha on October 17, 2016.

- 2 An accredited investor is an individual with net worth of at least \$1 million, excluding the value of equity in their primary residence, or net income of at least \$200,000 in each of the last two years and a represented expectation of net income in that amount in the current year. For more details on this definition, please refer to www.sec.gov; the term accredited investor is fully defined in Rule 501 of Regulation D.
- 3 Organizations such as The ImPact and Toniic (www.theimpact.org and www.toniic.com) have documented actual impact investing stories and portfolios to be accessed in the public domain.
- 4 Confluence Philanthropy published this report in 2016 which we do not specifically endorse, but is indicative of the market at the time <http://www.confluencephilanthropy.org/Impact-Investing-Advisor-Guide>.
- 5 The SEC advisor search portal provides access to Form ADV Parts 1 and 2 for registered investment advisors. Form ADV Part 2, the Disclosure Brochure, provides pricing information for each RIA: <https://adviserinfo.sec.gov/IAPD/default.aspx>
- 6 <https://adviserinfo.sec.gov/IAPD/Part2Brochures.aspx>