Using dollars for change

Seven key insights into impact investing for 2022 and beyond

Impact investing is the practice of making purposeful investments that generate financial returns, while also helping to achieve social or environmental benefits—exemplifying the idea of “doing well while doing good.”

The idea of linking one’s investments and values has become increasingly popular in recent years, particularly as there are generational shifts in wealth from Baby Boomers to Gen Xers and Millennials. Younger generations bring a new mindset to their everyday decisions—seeking to align their choices with their values, including financial and investment decisions. As these investors continue to grow their wealth, impact investing could quickly shift from an emerging trend to a mainstream practice.

How do people make impact investing decisions? And what keeps others from participating? Fidelity Charitable conducted a survey among more than 1,200 investors to understand their approach to investing and social change. This summary presents seven key findings that outline how investors engage in impact investing today and what it could mean for the future. Key insights include:

- Millennials will continue driving adoption of impact investing as they come to control more wealth. Already, 61% are utilizing values-based investing strategies.
- And they believe it has a variety of benefits. In addition to the personal fulfillment that comes from aligning their investments with their values, 62% of Millennials believe that impact investing has greater potential than traditional forms of philanthropy to create long-term positive change.
- Values-based investing is beginning to catch on more broadly. While only one-third of all investors engage in impact investing currently, 40% of non-participating investors will consider making their first impact investment in the coming year.

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1

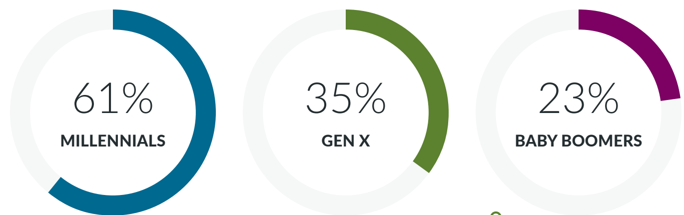
With strong Millennial participation, values-based investing is here to stay.

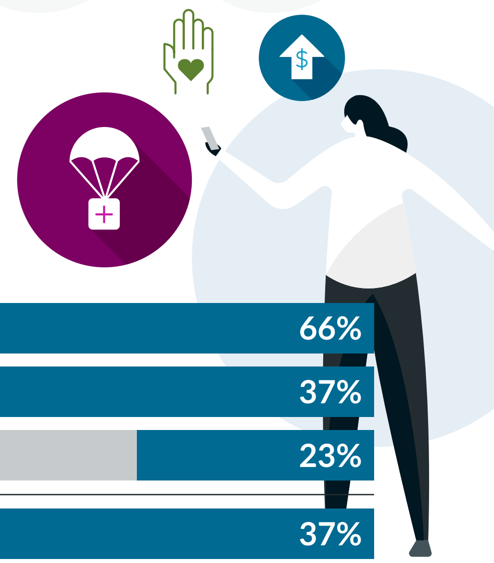
More people than ever are considering how to make their everyday decisions through the lens of social change, and Millennials are leading the way. Impact investing is one more way to align their values with their financial choices, so it's no surprise that Millennials are eager to learn about the strategy and becoming active proponents.

Putting it into action: **Millennials are more active impact investors** than older generations.

34% of all investors currently participate in impact investing…

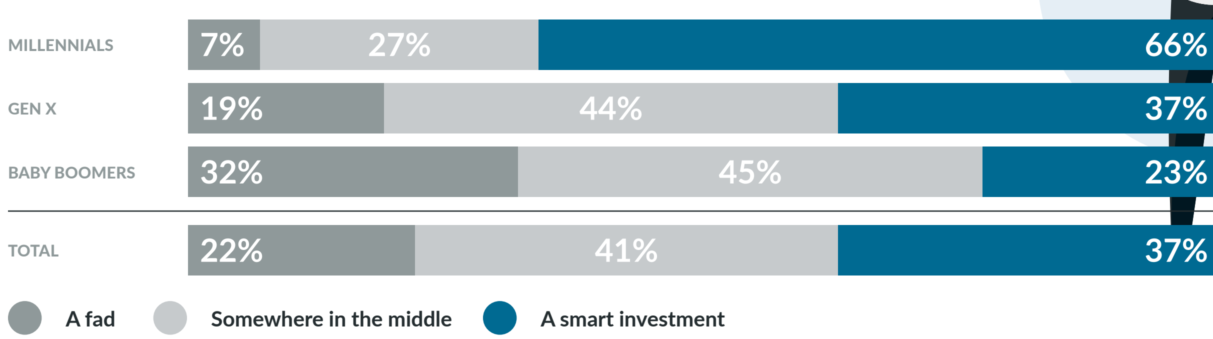
but **6 in 10 Millennials** are actively involved.





Younger investors are **optimistic about the financial benefits** of impact investing.

"I believe impact investing is…"



Millennials feel more **familiar with and positive toward** the concept of impact investing.

57% of all investors say they are somewhat or very knowledgeable about impact investing…

83% MILLENNIALS

59% GEN X

47% BABY BOOMERS

…but **more than 80% of Millennials** say they are knowledgeable.

69% of all investors have a somewhat or very favorable impression of impact investing…

92% MILLENNIALS

71% GEN X

57% BABY BOOMERS

…but **nearly all Millennials** have a positive impression.

2

Millennials see impact investing as a powerful way to effect change—even more so than traditional giving to charity.

Younger investors believe in the long-term financial prospects of these strategies—but they are in it for more than the financial gains. The top benefits Millennials cite reflect both the difference they feel they are making in the world and the sense of personal fulfillment that it gives them to make choices aligned with their values.

41% You can make a difference with your investments.

39% You can align your values with your investments.

35% It's a good way to reward a company for being a good global citizen.

35% You're doing your part as a global citizen.

33% You can make your voice heard.

Ultimately, Millennials believe that **impact investments have more power to create change** than traditional charity.

Which has more potential to create long-term positive change?

	Impact investing	Charitable giving
Millennials	62%	38%
Gen X	46%	54%
Baby Boomers	28%	72%
Total	40%	60%

3

Across all generations, investors are looking to expand their impact allocations in the next year—and others could get started for the first time.

Impact investments currently make up less than a quarter of most investors' portfolios, indicating that many begin by testing the waters with this strategy. As investors gain more experience and options continue to become more accessible, many investors plan to increase their impact allocation. A significant portion of those who haven't yet made an impact investment say they are likely to consider doing so in the next 12 months—further reinforcing that the strategy is gradually becoming more mainstream among everyday investors.

For investors who currently participate, impact investments account for a **minority percentage** in most of their portfolios…

…but **41%** plan to **increase the amount they allocate to impact investments** in the next year. And almost none expect to decrease their holdings.

Current percentage of portfolio in impact investments

Less than 25%
72%

25–50%
21%

50–75%
5%

75–100%
2%

In the next year, I expect the amount I allocate to impact investments to…

Increase
41%

Stay the same
57%

Decrease
2%

40%

of those who have not made an impact investment **are likely to consider trying it** in the next year.

4

However, many investors cite lack of knowledge as a barrier to trying impact investing.

Those who are not yet familiar with impact investing are hesitant to get involved—and 6 in 10 say they aren't likely to consider participating in the next year. But hesitation to participate hinges more on lack of knowledge than opposition. Only a small portion disagree with the fundamental concept of impact investing—with a few investors saying that investment decisions should be based solely on potential returns or that it is not an effective way to solve problems. Such small minorities could indicate a growing awareness and normalization of impact investing among everyday consumers.

55% of investors have not dipped a toe in the impact investing waters.

Top reasons include:

I don't know enough about it.
39%

I believe investment decisions should be based solely on potential returns.
14%

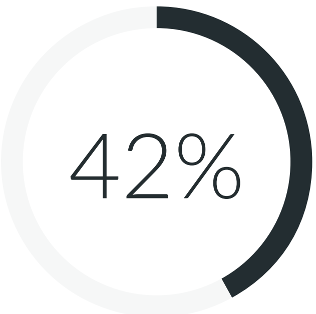
I don't believe it's an effective way to solve problems.
14%

60%
of those who haven't made an impact investment say they are **not likely** to consider doing so in the next year.

Advisors are needed to help clients understand their options.

Client interest in impact investing is showing no signs of slowing down—particularly as Millennials gradually take over a greater share of wealth. And with a significant knowledge gap among investors, professional advisor help is needed to provide guidance and dispel myths related to impact investing strategies.

Initiating values-based conversations with clients and educating them on the full range of options available to align their investments with those values can deepen client relationships and build multigenerational financial plans. Advisors who are knowledgeable and confident about impact investing will be in the best position to take advantage of this opportunity.



42% of current impact investors **learned about impact investing from their financial advisor**.

My financial advisor
42%

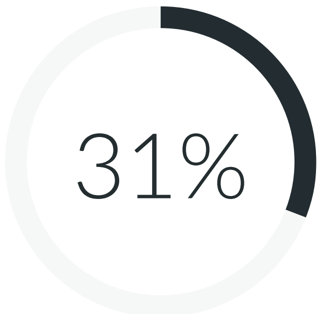
Heard/read about it in the news
42%

Materials from an investment firm
30%

A friend or family member
27%

Social media or online forums
25%

A nonprofit organization
20%



And **31%** of those who are not knowledgeable about it **would turn to their financial advisor to learn more**.

Online search
38%

My financial advisor
31%

Financial organization or investment firm
20%

A friend or family member
8%

6

Impact investing is popular for investors who have tried it.

Impact investors are satisfied with their results so far—reporting that impact investing makes them feel like they are doing something good and like a good global citizen.

Across all generations, **62%** of investors who have tried impact investing say they are **very satisfied with their participation**.

Top reasons include:

I feel like I'm doing something good.
45%

I feel like a good global citizen.
43%

I feel strongly about supporting these causes.
42%

The investment returns I receive from impact investing are good.
31%

61%

Most impact investors find value and meaning in the strategy. **61%** say that it is **personally important to them**.

7 Impact investors use a variety of strategies to balance financial gain and altruistic intent.

Any time investors seek financial gain through purposeful investments that help achieve social or environmental benefits, they are participating in impact investing—but such a broad definition leaves room for a wide range of investments. Some options put financial returns first, with social good as a secondary goal; other options do the opposite. Investors are taking advantage of investment options all along this spectrum that have become more accessible to the average consumer. And just as they employ numerous strategies, impact investors also work toward a broad range of social benefits.

Current impact investors most commonly invest in either **mutual funds or individual publicly traded companies screened for certain criteria**, such as environmental, social, or governance themes.

Invest in mutual funds or indexes made up of companies screened for certain established criteria
45%

Invest in individual publicly traded companies that meet certain established criteria
43%

Avoid investments in individual companies or industries that you feel have a negative impact
36%

Invest in private funds, such as venture capital, that focus on companies with social or environmental benefits
36%

Invest in small businesses or start-ups that focus on social or environmental benefits
31%

Participate in peer-to-peer financing or microloans
20%

Provide loans to charitable organizations
20%

Impact investors make their investment choices to align with a variety of goals and cause areas:

51%
ENVIRONMENTAL THEMES
e.g., environmental conservation, alternative or renewable energy

27%
SOCIAL THEMES
e.g., racial equity, faith-based values

16%
GOVERNANCE THEMES
e.g., corporate behavior and oversight, diversity in company leadership

6%
OTHER

Methodology

This report is based on a study conducted in July and August 2021 by Artemis Strategy Group, an independent research firm, on behalf of Fidelity Charitable. The study examined impact investing and charitable giving among 1,216 investors in the U.S. who have a minimum of $25,000 in investable assets outside of an employer retirement plan.

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