

Women Leading the Way in Impact Investing Preliminary Project Findings

Several powerful trends are converging in the U.S. which could shape the future of the capital markets, most notably the growth of impact investing and the increased influence of women over this country's wealth. Study after study has shown that women are more interested in socially responsible and impact investing than their male counterparts. And yet research also suggests that women have been slower to convert this interest into action.

With the generous support of Mission Throttle, and in partnership with Mission Investors Exchange, The Philanthropic Initiative (TPI) conducted a literature review and interviews with over 30 advocates, investors, and advisors on the issues and opportunities around women and impact investing to (1) better understand the disconnect between excitement and action, (2) highlight approaches that have successfully engaged women in impact investing, and (3) explore new ideas for galvanizing women's leadership and participation. Our ultimate goal is to significantly increase the amount of capital dedicated by women *and* men to impact investing.

This document provides a high-level summary of the project's findings, which will be shared in a session at the 2016 Mission Investors Exchange conference in Baltimore, Maryland. A number of advocates, field builders, women investors, and advisors have been working towards the goal of increasing the role of women in impact investing. Later in 2016, we will bring these leaders together at a summit to share learnings, identify priorities, and create a collaborative campaign and action plan for scaling the work going forward.

NOTE: This research is focused on women as investors, not on gender-lens investing, although they are certainly complementary and sometimes overlapping movements.

Our Vision

Women's increased engagement in impact investing has accelerated the development of the impact investing ecosystem – resulting in an expansion of sustainable capital to address the most pressing social and environmental issues worldwide.

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Women Leading the Way in Impact Investing

This is going to be a moment for women. They are going to drag this field forward and they are going to have a seat at the table at the highest level.” Jean Case, The Case Foundation

Impetus

This project was fueled by several catalytic **trends** which could shape the future of the capital markets:

- Escalating interest, participation, and infrastructure in impact investing (from \$80 billion in 2011 to a projected \$400 billion in 2020)ⁱ.
- Growing influence of women over this country’s wealth as investors (from estimated \$14 trillion today to \$22 trillion in 2020)ⁱⁱ as well as influencers in the financial, philanthropic, and corporate sectors.
- Intergenerational transfer of wealth of \$41 trillion that is taking place in the U.S. over the next 40 years, 70% of which is expected to go to womenⁱⁱⁱ.
- Growing interest in impact investing by millennials who are already influencing their parents and advisors and in the not-too-distant future will earn or inherit assets of their own to invest.

Approach

- **Field scan** of literature and over 30 interviews, studying how women have and could influence the impact investing field, barriers to doing so, successful and promising models for doing so, and priorities going forward.
- **Summit** on Women Leading the Way in Impact Investing for advocates, investors, and field builders to develop a blueprint for collaboration going forward. (Date TBD)

Literature and Interview Findings

1. Women show **overwhelming interest** in socially responsible and impact investing, significantly more than men. (70-79% of women vs. 49-62% of men, depending on study)^{iv}
2. Yet, there appears to be a **disconnect** between interest and action! (10% of men and only 9% of high net worth women report engaging in impact investing)^v
3. In addition to the **universal barriers** to rapid adoption – advisor knowledge and behavior, return myths, limited track record, opaqueness of financial products, limited on-ramps, pipeline, etc. – women face the following potential hurdles:
 - Lower investment confidence (ranging from 20-50% less than men)^{vi} despite comparable knowledge (35% of women vs. 39% of men passed literacy assessment)
 - Less time spent on investment activities (39% less than men)^{vii}
 - Fewer women taking responsibility for household investment decisions vs. men (55% men, 37% together, and 13% women)^{viii} and who are not in a position to influence their partners
 - Possibly lower risk tolerance and higher need for more information^{ix}
 - Underinvestment in markets, especially among the unadvised^x
 - Lack of diverse “on-ramps” to gain first-hand experience in impact investing, with too many focused on time-intensive angel investing^{xi}
 - Traditional advisor ecosystem aimed at pushing products vs. listening and values-based goal setting

- Lower representation of women on family office and foundation investment committees^{xii}
4. However, the following trends give us **optimism** that the gap can be bridged and women can lead the way:
- Women led the way in the early development of socially responsible funds, and increasingly fill senior impact investing roles in foundations and family offices.
 - Women who try impact investing reportedly become more engaged, spend more time and increase their investing agency overall.
 - Financial institutions everywhere are focused on better serving women investors and women are more likely to use advisors (46% vs. 34% of men)^{xiii}. As mainstream institutions appreciate female interest in impact investing, they will fill the demand.
 - The advisor demographic is becoming more female – and female advisors are disproportionately drawn to socially responsible and impact investing (59% vs. 34% of men)^{xiv}. These women are building networks of support, innovating their practices, and applying impact investing to their own portfolios.
 - Recent focus on and new products in gender-lens investing provide an appealing on-ramp for many female investors.
5. **Proven and promising approaches** to working with women to date have included:
- **For investors:** Philanthropically rooted women’s education and support communities (e.g., High Water Women, Women Moving Millions); impact investing networks, showcases, and collaborative investing (e.g., Investors Circle, Toniic); investment literacy programs (e.g., Ellevest); gender-lens angel investing groups (e.g., Golden Seeds, Plum Alley) and products; boutique wealth management practices focused on women and impact; toolkits for using finance for social change (e.g., Criterion Institute)
 - **For advisors:** Advisor support networks (e.g., Women Investing for a Sustainable Economy); training on working with women (e.g., Pax World); training on impact investing (e.g., US SIF, in-house programs)
6. Interviewees are excited about the possibilities for **coordinated and intentional programming** to help women lead the way. Many are interested in a comprehensive campaign. Specific ideas include:
- **Learning**
 - i. Educational, peer-based programs aimed at increasing women’s confidence and ability to ask the right questions (both women-only and co-ed)
 - ii. Transparent, easy to understand products
 - iii. Communities of practice (e.g., learning circles focused on impact investing); women on investment committees or staff
 - iv. Leadership development curriculum and programs
 - v. Research on how to convert interest into action and other “myth-debunking” data and information
 - **Experience**
 - i. Time-efficient and female-friendly “on-ramps” for practicing impact investing
 - ii. Opportunities for collaborative investing, such as investment circles, thereby mitigating risk and achieving collective impact
 - **Enabling environment**
 - i. Referral networks of vetted advisors

- ii. Toolkits, sample portfolios, and accessible language for advisors, influencers, and women investors
- iii. Partnerships with women’s networks, foundations, business groups, and colleges
- iv. Initiatives to promote women on investment committees and boards
- **Visibility and awareness**
 - i. Success stories, role models, case studies
 - ii. Speakers bureau
 - iii. Media campaign – “Know what you own”
 - iv. “Shark tank”-like program with female investor judges choosing among social purpose businesses

7. **Questions, concerns, and issues** include:

- Will a female focus marginalize a field that a few think is already too gendered? (e.g., leadership, language, etc.) Would a non-gendered approach be more effective?
- The field of impact investing is growing but still fragmented. How can we coordinate efforts to achieve the most impact? How can adoption be scaled and mainstreamed?

Call to Action

We believe that women can lead the way and that a coordinated strategy focused on increasing women’s engagement in impact investing could accelerate the development of the ecosystem, inspire others, and contribute to an explosive growth in sustainable social capital. We don’t need to persuade women that impact investing makes sense; we only need to make it easier for them to make the leap from excitement to action. If you would like to be part of this effort, please contact:

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Notes:

ⁱ Lisa A. Hagerman, DBL Investors; and Daniel W. Geballe, Stanford Graduate School of Business, “The New Family Philanthropy: Investing for Social and Environmental Change” (Center for Community Development Investments, Federal Reserve Bank of San Francisco, August 2013), 2.

ⁱⁱ Michael J. Silverstein and Kate Sayre, “The Female Economy” (*Harvard Business Review*, September 2009).

ⁱⁱⁱ Boston College’s Center on Wealth and Philanthropy, 2009.

^{iv} Morgan Stanley Institute for Sustainable Investing, “Sustainable Signals: The Individual Investor Perspective” (Morgan Stanley & Co. LLC and Morgan Stanley Smith Barney LLC, February 2015), 5; Sylvia Ann Hewlett and Andrea Turner Moffitt with Melinda Marshall, “Harnessing the Power of the Purse: Female Investors and Global Opportunity for Growth” (Center for Talent Innovation, 2015), 13; *U.S. Trust Insights on Wealth and Worth Survey* (2015), 31.

^v *U.S. Trust Insights on Wealth and Worth Survey* (2015), 31.

^{vi} Fidelity Investments, “Maximizing a Major Opportunity: Engaging Female Clients” (2015), 16; Pershing, “Women: Investing with a Purpose, Why Women Investors May Need a Different Approach to Reach Their Goals” (BNY Mellon, 2015), 6; Merrill Lynch, “Women and Investing: A Behavioral Finance Perspective” (Fall 2014), 2.

^{vii} Sylvia Ann Hewlett and Andrea Turner Moffitt with Melinda Marshall, “Harnessing the Power of the Purse: Female Investors and Global Opportunity for Growth” (Center for Talent Innovation, 2015), 24.

^{viii} UBS, “Couples and Money, Who Decides?” (*UBS Investor Watch*, Q2 2014), 2.

^{ix} Research studies vary on their conclusions here, with some suggesting that risk profiles are appropriately related to level of knowledge.

^x Sylvia Ann Hewlett and Andrea Turner Moffitt with Melinda Marshall, “Harnessing the Power of the Purse: Female Investors and Global Opportunity for Growth” (Center for Talent Innovation, 2015), 9.

^{xi} Joy Anderson and Katherine Miles, “The State of the Field of Gender Lens Investing” (Criterion Institute, 2015) 58.

^{xii} NEPC Endowment and Foundation Practice Group Quarter 1, 2015 Survey Results, May 1, 2015 reports that 61% of foundations have “at least 1 female” on their investment committee, which means 39% have none.

^{xiii} Pershing, “The 30% Solution: Growing our Business by Winning and Keeping Women Advisors” (BNY Mellon, 2013), 9.

^{xiv} “Gateways to Impact: Industry Survey of Financial Advisors on Sustainable and Impact Investing” (Calvert Foundation, June 2012), 4.