MAY 2021

PURCELL COMMUNICATIONS

Advisor Hacks for Mastering ESG in Your Practice

Simple Tips for Engaging Clients on ESG

Everyone knows the statistics – assets in environmental, social, and governance (ESG) and responsible investing portfolios are growing faster than a weed in July, at last check making up more than $40 *trillion* of global assets under management. Yet many advisors feel adrift when it comes to guiding clients in ESG investing.

We asked experienced advisors to provide their best responses to three common advisor concerns: how to start the conversation about ESG issues with their clients; how to identify and sell ESG products; and how to manage skepticism. This piece will focus on the first of these concerns, and provide hacks for mastering the ESG conversation.

KEY TAKEAWAYS FROM THIS SERIES

- **You have to start somewhere**. While ESG expertise can be a valuable differentiator, it's not necessary to convert your entire practice. Having one or two ESG "power users" and one or two ESG investing options is a good starting point.
- **Financial considerations still come first**. A good conversation about ESG issues can enhance your client relationships, as long as you remain a good financial steward.
- **Add value**. ESG investing is an emerging concept. Providing clarity and guidance on ESG is a huge opportunity to differentiate yourself to an interested client base.

"YOU HAVE TO ASK THE QUESTION" – PART I

Advisor Concern	Advice From the Network
"Clients aren't really asking me about ESG investing."	***Don't confuse lack of awareness for lack of interest.*** Sonya Dreizler is a financial services consultant and head of Solutions With Sonya. As she says in her excellent primer on the subject, "Most clients aren't asking about ESG and impact because they don't know it's a possibility." Dan Tobias, CFP® and head of Passport Wealth Management, agrees. "*You* have to ask the question. Clients rarely ask, but I've found that every client is interested in the conversation."

Advisor Concern	Advice From the Network
	A recent investor sentiment study from Allianz also highlights the need for advisors to start the conversation. “Most respondents said that they wish there was more information available about this type of investing — but they also recognize that it would take a lot of effort for them to do the research on their own. As a result, over three-quarters of clients (76%) expect their financial professional to inform them about the business practices of the companies they invest in.”
“Clients have expressed an interest, but they’re not sold that ESG investing is a good strategy. Honestly I’m not sure I’m sold either.”	***The case for ESG investing is well established.*** Here’s just one of the recent studies demonstrating the business case for ESG investing. “There is a growing evidence base that there is a connection between ESG and alpha generation. Advisors *need* to be up to speed on this research,” says Julia Enyart, head of sustainable and impact investing at Glenmede Investment Management. Jason Ray, head of Zenith Weath Partners, strongly agrees. “ESG factors are important in corporate performance. Understanding these factors is a great investment of our time and energy because it is where we can generate alpha.”
“How do I structure the conversation?”	***Start somewhere familiar.*** Farzana Hoque, ESG/impact consultant for US SIF, points to their advisor roadmap. “If you are new to sustainable investing and your client is unfamiliar with the topic, raise the subject during a broader discussion about your client’s philanthropic and volunteer interests.” Thomas Hlohinec, head of Rise Financial Partners, says he will raise the issue of ESG investing as part of a strategic charitable giving plan. Enyart recommends creating a “values questionnaire” to identify specific client interests and concerns. Questionnaires are excellent tools because they both guide the client’s thinking and let them lead the conversation.
“I don’t know how to fit ESG strategies into our existing plans or packaged products.”	***Start small and build for the future.*** Bill Holiday, of AIO Financial, suggests incorporating an ESG index fund at the margin of interested clients’ portfolios. “We’ll do a mixed portfolio where we might place, say, 5% of clients’ assets in an ESG ETF. It’s a trial that gives you and the client a chance to see an ESG strategy in action.” RJ Devick, Partner at Bond & Devick Wealth Partners, finds ESG to be an effective way to capture interest among younger prospects. “We design model ESG portfolios for smaller portfolios that don’t meet our $1M minimum. These are a good way to introduce younger people to ESG investing. When they inherit money or make money in the future, they will want to work with someone who helped them with ESG investing when they were young.” Austin Wilson, head of active ownership at Aperio, strongly advocates for proxy voting as a first step for wealth managers. “Voting company proxies — and explaining to your clients how you voted and why — is the easiest entry point for wealth managers because it has no immediate impact on performance.”

For more ideas and help putting them into action, please visit the Purcell Communications Open House page.