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Advisor Hacks for Mastering ESG in Your Practice

Simple Tips for Selling ESG Products

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 second of these concerns, and provide hacks for selling ESG.

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.

"FIND YOUR FOCUS" – PART II

Advisor Concern	Advice From the Network
"How do I explain the various strategies and approaches of these different products?"	*Don't.* Doug Lynam, principal at LongView Asset Management, advises finding an ESG focal point. "Don't try to be all things to all people. Find one or two aspects of ESG to target, and an audience that fits that target. That makes it easier to be trusted when proposing solutions."

Advisor Concern	Advice From the Network
	Thomas Hlohinec, head of Rise Financial Partners, does this for his clients as well. "I try to focus my clients on health care and clean water issues — things that we all agree make the world a better place. They're easy to talk about and there are specific investment products that match those interests."
How do I talk about risk?	***ESG is fundamentally risk averse.*** ESG strategies have grown in part because the information age has highlighted the way bad corporate decisions eventually come home to roost. Jon Hale, global head of sustainability research at Morningstar, writes about this. "Investors need to know how a company is addressing climate risk to assess the long-term risk of owning it. In other areas, like human capital management, product governance and customer relations, investors want greater transparency because in this age of the internet and social media, missteps in these areas can cause major reputational damage that can harm the business and investor returns."
How do I explain costs?	***Tell the client what they're paying, and what they're paying for.*** The advisors we spoke to told us that the cost on ESG-oriented products isn't different enough from traditional products to be a meaningful impediment. Bill Holliday, of AIO Financial, also points out that ESG investing represents an efficient way to drive impact for investors who want to be part of the solution. "Our clients are very focused on cost. We explain that active ESG strategies may be worth paying for because they put more effort into understanding ESG factors that impact stock price most, or advocating for better corporate decision-making. They add value by recognizing long-term risks and opportunities."
How do I report on them?	***Gather the news.*** Jason Ray, head of Zenith Weath Partners, simply sets google alerts for major company holdings. The cost in time and money is marginal, but the payoff can be big. "It can be frustrating that there isn't a clear standard for ESG data and news reporting. But that creates a huge opportunity to distinguish ourselves with clients."

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