MAY 2021

PURCELL COMMUNICATIONS

Advisor Hacks for Mastering ESG in Your Practice

Simple Tips for Managing ESG Perceptions

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 third of these concerns, and provide hacks for managing the perception of ESG investing.

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.

"A CRUCIAL DIFFERENTIATOR" – PART III

Advisor Concern	Advice from the Network
"My partners think this is all hippie nonsense."	***It's not that far out there.*** Jon Hale, global head of sustainability research at Morningstar, argues that investors have always incorporated their values. "Expressive benefits — What do my investments say to me about myself and about myself to others? — and emotional benefits — How do my investments make me feel? — are sought by *all* normal investors."

Advisor Concern	Advice from the Network
	In fact, says Doug Lynam, principal at LongView Asset Management, early adopters are finding that incorporating ESG into a practice is a no-brainer. “ESG is a great differentiator for advisors. It’s where the industry is going, and it’s what the clients are asking for. Why wouldn’t you incorporate ESG into your practice?”
“I have a fiduciary duty, and I don’t know how social impact fits in to that.”	Research into materiality — such as the SASB materiality map — is showing exactly how ESG factors are affecting company operations and stock prices. Jason Ray, head of Zenith Weath Partners, says, “I explain to clients that ESG factors are a key part of our due diligence process,” since ESG risks and opportunities play such a meaningful role in company and stock performance. “My clients get that it’s important for investors to look at this information.”
“My firm is worried that supporting an ESG product line would require operational changes we’re not prepared for.”	***Become a power user.*** “Our ESG practice got started because a small number of team members — maybe 2 or 3 out of 60 — became power users of ESG information and products,“ says Julia Enyart, head of sustainable and impact investing at Glenmede Investment Management. “They became experts, and slowly introduced ESG strategies to their clients and to the firm. In the end, their expertise acted as a crucial differentiator that drove client growth for them.”
“What are the risks?”	***Be sure to separate “value” and “values.”*** Dan Tobias, CFP® and head of Passport Wealth Management, notes that there are a lot of potential minefields when talking about ESG factors with clients, since everyone has their own ideas about “values.” “You don’t want to have to know everything about every holding in every portfolio” from an ESG point of view, he says. “But there’s a lot of space for all sides to focus on the potential *value*.”
“How can we represent ourselves genuinely as an advisor who cares about ESG when we’re barely talking about it?”	***Focus on thriving in the future.*** ESG strategies are essentially looking for the winners of the future. RJ Devick, partner at Bond & Devick Wealth Partners, argues, “I believe our portfolios are giving investors an opportunity to benefit from change. I don’t think our investors benefit in the long run by owning, for example, old technologies that pay a high dividend if their future prospects are bleak. I would much rather invest in the future not the past.” Thomas Hlohinec, head of Rise Financial Partners, explains it this way: “We are passionate about ESG investing and manage our personal money the same as our clients.’ Consider this: You could be a great advisor. What happens if another advisor comes along and educates your client on aligning their investments with their values? That’s a client you could easily lose.”
“How do I handle clients who might wonder if they are doing enough in their portfolios?”	Bill Holiday, of AIO Financial, points out that just because a client isn’t investing fully in ESG strategies doesn’t mean they’re not making a difference. “Clients shouldn’t view investment in traditional strategies as a bad thing. It’s neutral — more like sitting on the ESG sidelines.”

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