CapitalPreferences

2022 - ESG IS PERSONAL

Study of ESG Preferences and Advisory Practices in the United States

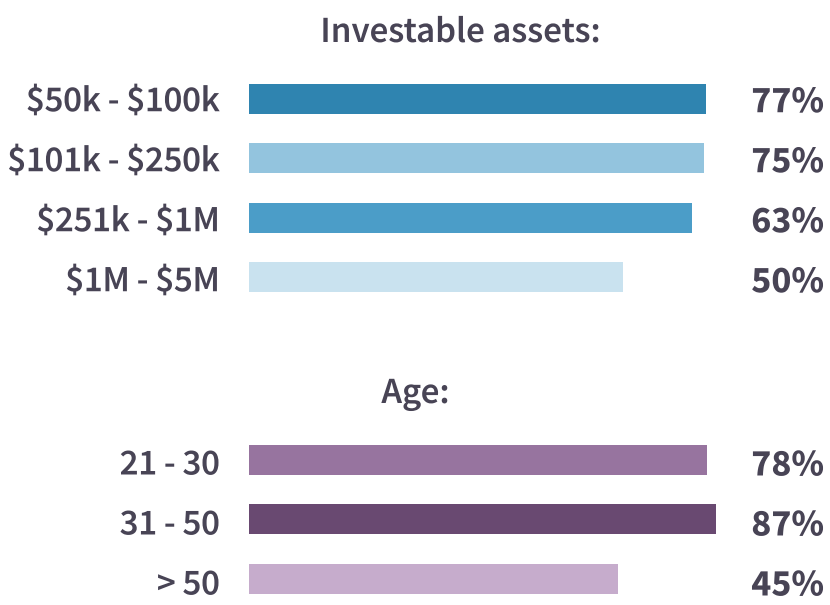
US investors are increasingly attuned to sustainable investing concerns.

Wealth managers that deliver a high-caliber ESG experience stand to see significant gains in loyalty, advocacy and assets under management.

A majority of US investors say ESG is important in their investing.

Over 6 in 10 place high importance on ESG factors in their investing.

ESG factors are important to a majority of investors across investable asset levels and ages.



The financial services sector has an opportunity to step up.

Only 1 in 4 US investors are receiving a high-caliber ESG investing experience.

Those who do, reward their advisers with much higher advocacy, loyalty and walletshare growth.

High calibre ESG experience		Not a high calibre ESG experience
92%	Net Promoter Score	-2%
94%	Intent to add AUM in next 12 months	68%
4.2	Average referrals in prior 12 months	2.4

Advisors who can **harness client-centric tools, preference data & insights** throughout the client journey to provide a **more personalized sustainable investing experience** stand to capture the growing opportunities in this area.

3 components of a high-caliber ESG experience

Clear & committed adviser
Adviser clearly explains ESG concepts and is committed to helping investor invest sustainably

High preference-to-portfolio confidence
Investor has high confidence their current portfolio fully reflects their values

Closed-loop reporting
Investor receives regular updates that give a clear understanding about the sustainability performance of their investments on the ESG themes they care about most

Imperative: Close the ESG preference-to-portfolio gap.

Tight alignment between an investor's ESG preferences and portfolio is central to a high-caliber experience.

Only 37% of US investors who are interested in ESG are confident their current portfolio is fully aligned to their values. Why?

Investors need ESG education...

Over half of investors are not knowledgeable on ESG concepts like *negative screening* or *impact investing*

50-60%

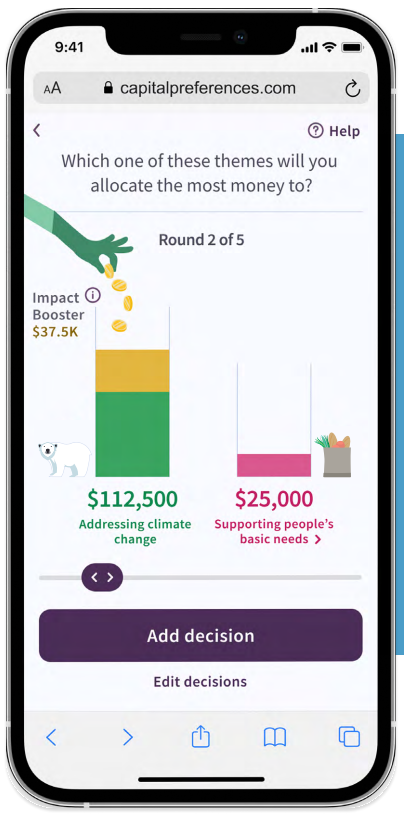
...and, they need help discovering their own ESG preferences.

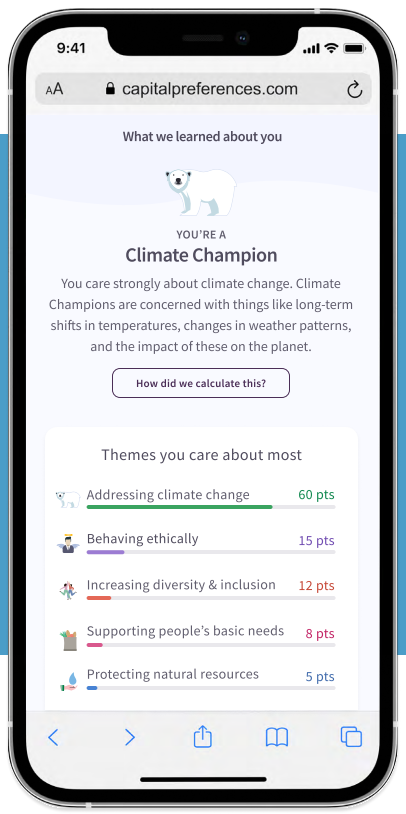
Among investors who say ESG is somewhat important, important or very important…

50% can identify how much of their portfolio they want invested in ESG

38% Know how they want individual Environmental, Social, and Governance pillars represented in their portfolio

It underscores the need for wealth managers to educate and help investors discover their own ESG preferences.



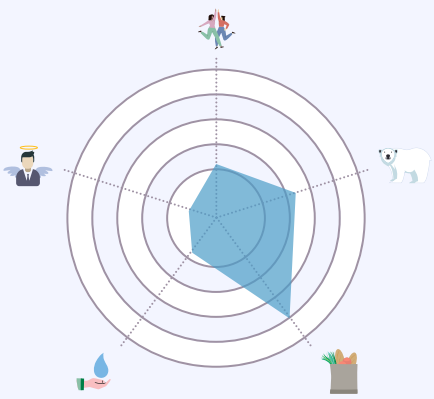


We used a decision science-based "revealed preferences" method to profile investors' true ESG preferences.

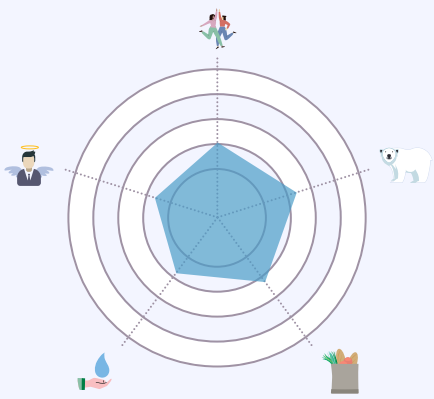
See the revealed preferences method in action.

We found ESG preferences are highly individualized. Each investor has a unique set of investing preferences.

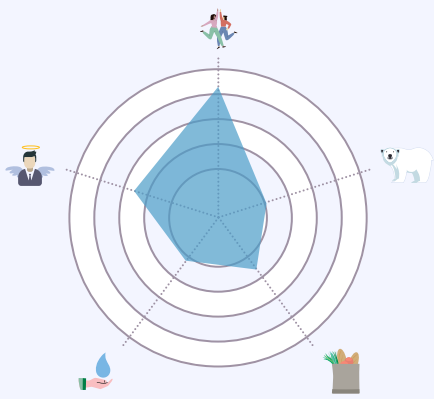
Female, 49 years
Location: **Omaha**
Altruism: **79**
Investing style: **Thematic**



Male, 37 years
Location: **San Diego**
Altruism: **29**
Investing style: **Integrated**



Female, 52 years
Location: **Washington, DC**
Altruism: **52**
Investing style: **Balance of thematic & integrated**



We measured each investor's altruism, as well as their preferences for five sustainability themes, which were distilled down from the 17 United Nations Sustainable Development Goals.

Ethical behaviour · Natural capital · Empowerment · Basic needs · Climate change

The "So what?" for wealth management firms:

DO Measure investor preferences consistently with tools that quantify individual variation

DO Provide a range of ESG investing options that can satisfy the breadth of investor preferences

DO "Show the work"— demonstrate to investors how their preferences translate into a best fit portfolio

Adviser clarity and commitment is another key element of a high-caliber ESG experience.

Of investors with at least some interest in ESG…

55%

feel their adviser is committed to helping them invest sustainably

Only 43%

report their advisers clearly explain ESG concepts and terms

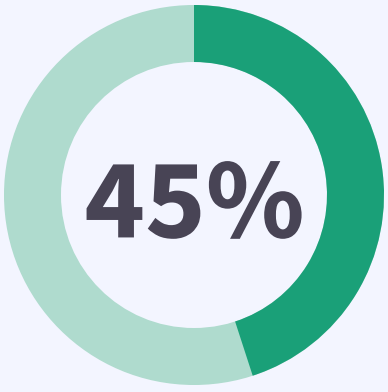
The "So what?" for wealth management firms:

DON'T Expect advisers to become ESG experts overnight

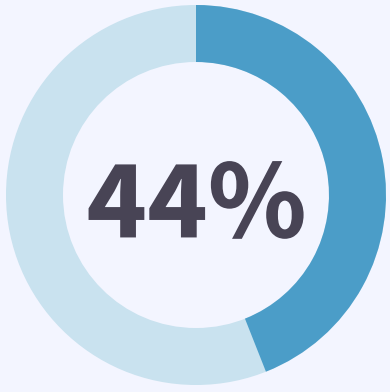
DO Equip advisers with client discovery and education tools that instill confidence and provide "handholds" for meaningful ESG conversations

"Closing the loop" with investors on the sustainability performance of their investments is the final element of a high-caliber ESG experience.

Of investors who view ESG as important…



Regularly receive reports that show the sustainability peformance of their investments

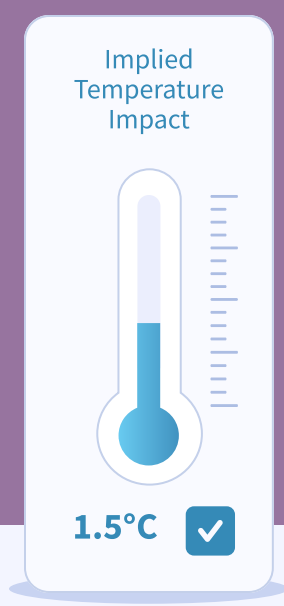


Receive reports that *clearly show the magnitude* of sustainability performance for their ESG investments

The "So what?" for wealth management firms:

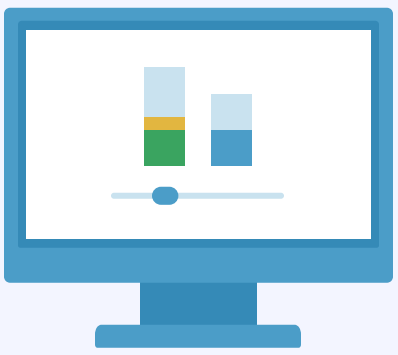
DON'T Overwhelm investors with ESG ratings and reports

DO Provide simple, meaningful sustainability metrics aligned to each investor's unique preferences



About the Study

We studied 304 US investors who work with financial advisers to uncover insights about their preferences, knowledge and attitudes toward sustainable investing.



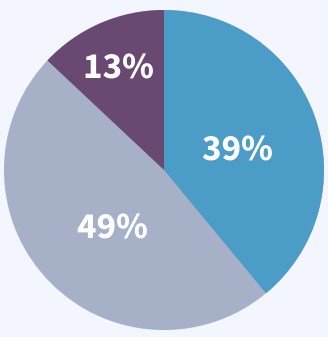
Revealed preferences component

ESG preference parameters

- Altruism
- ESG theme preferences
- Negative screening preferences
- ESG investing style preferences

Investable assets between

$50k and $5m

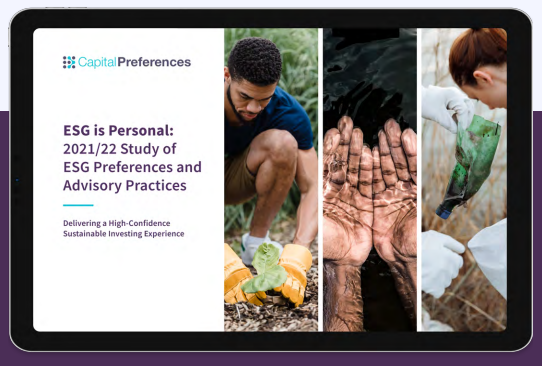


- Bank-based adviser
- Independent adviser
- Online with help of adviser

Survey data

- Demographics & finances
- ESG interest & knowledge
- Quality of sustainable investing experience
- Adviser relationship strength

Survey component



CapitalPreferences

Delivering a high-calibre ESG experience begins with understanding each investor's unique ESG preferences, and threads those preferences through the entire advice journey.

To learn more, download our insight paper or be in touch to see Capital Preferences' decision science-based investor profiling in action.

www.capitalpreferences.com | insights@capitalpreferences.com

Download full global report

Request a demo