


Adding Sustainability: Having The Conversation



Helping clients initiate a conversation about their values presents an opportunity to establish relationships that may form greater client loyalty and higher client satisfaction.

Differentiating your practice by allowing the space to incorporate clients' values can create a competitive advantage and encourage client loyalty.

Introduction

Adding sustainable investing expertise to your financial advisory practice requires more than offering specialized products. It involves preparation to facilitate having the conversation with a current or prospective client when the appropriate time presents itself.

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opening with, “Do you want a sustainable portfolio?” we suggest actively listening for key words and phrases or observing a client’s activities and interests. In doing so, you can help differentiate your practice while forging deeper client relationships. Helping clients initiate a conversation about their values presents an opportunity to establish relationships that may form greater client loyalty and higher client satisfaction. In addition, becoming more familiar with sustainable investing topics can help attract high net worth clients as they tend to allocate and direct their capital with greater intention.

We’ve identified four opportunities to have the conversation



Key phrases or words



Issues or topical themes



Client purchasing preferences or behaviors



Client activities, lifestyles, and interests



The following sample key words, phrases, topics, behaviors, and themes can prompt you to ask additional clarifying questions.



Issues or Topical Themes

Clients may comment or express personal views on social issues and national/local policies that indicate a more customized investment approach might resonate with them.

- Climate-related topics that may include climate change, resource scarcity, droughts, or carbon emissions
- Energy policy, inclusive of alternative energy sources such as solar, wind, or battery technologies
- Environmental degradation or expressed concerns regarding spills or environmental mishaps
- Divestment campaigns that target fossil fuels or firearms
- Human rights topics, including exploitation, abuse, or products originating from conflict regions
- Inequality issues
- Ethnic diversity topics
- Labor rights topics such as safety, health, factory processes, wages, child labor, supply chains, or general comments regarding transparency
- Governance issues related to executive compensation, egregious excess, or self-serving behaviors
- Corporate political contributions and transparency issues



Client Purchasing Behaviors

- Hybrid or electric car
- Rooftop solar panels
- Fair-trade products, such as coffee, teas, or other consumer nondurables
- Donations to environmental or nonprofit organizations engaged in broad social issues
- Contributions to political organizations that can be tied to investment screening, such as an environmental, social, or similar policy advocacy group (PAC).
- Philanthropic contributions



Client Activities, Lifestyles, and Interests

- Active in a church, faith, or religious organization
- Highly engaged in philanthropic issues that can be tied to investment screening or considerations
- Heightened interest in the outdoors or engaged in environmental pursuits
- Focus on conservation or recycling

The more attentively you listen for potential cues, the better chance you have of finding a wide variety of discussion-opening topics.



KEY PHRASES OR WORDS TO WATCH FOR:

"I like **good** companies, **better** companies, or companies that **make a difference**."

"Is there a way we can **do better**?"

"I like to buy **organic** or shop at **farmers' markets** or **buy local**."

"I prefer **natural** goods or products."

"I don't like **those kinds** of companies."

71% of individual investors are interested in sustainable investing

INSTITUTE FOR SUSTAINABLE INVESTING, 2015

Positioning Your Practice

Once an opportunity presents itself, we suggest you further the discussion with a few clarifying questions. Some examples include:



“George, I have noticed since you’ve retired you’ve been much more active in environmental organizations and your church. Can you tell me a little more about what you are doing?”

This allows you to ascertain the client’s degree of engagement in values-based activities, and it encourages him to talk more about himself.



“Jessica, I have noticed that you recently purchased a new hybrid car. Tell me, what brought you to make that decision?”

This provides an opportunity to determine whether the hybrid car (or similar purchase) reflects a values-driven action or resulted simply from a cost versus benefit analysis.



“Sally, I see that you are including a few specific nonprofit organizations in your broader gifting plan. Can you tell me more about these organizations and what they mean to you?”

This allows the client to explain, in her own words, where her values and interests lie, and will give you insight into her level of commitment.



“Mark, I’ve heard you mention that you prefer to own companies that ‘make a difference.’ Can you clarify what that means to you?”

Again, allowing the client to explain his reasoning in his own words will give you insight into his level of commitment.

Value Proposition

Once you gain insight into your clients’ intents, you can begin recommending values-based and interest-based investment options for potential inclusion in their investment programs. Your objective should be to simply let your clients know you are in a position to take their values into consideration from a financial planning or investment selection perspective and are open to discussing possibilities. It is important to let your clients clearly define their values and interests and also define what success may look like to them. Allowing your clients to verbalize their specific interests puts you in the position to determine whether values-aligned investing would provide a meaningful service. If so, you can then present them with specialized investment options that align with their goals and wishes along with their associated risk and return profiles.

**84% of millennial
investors are interested
in sustainable investing**

INSTITUTE FOR SUSTAINABLE INVESTING, 2015

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65% of individual investors believe sustainable investing will become more prevalent in the next five years

INSTITUTE FOR SUSTAINABLE INVESTING, 2015

Your follow-up communication to a values conversation may look or sound like these examples:

"George, I appreciate you sharing more about your interests/activities with me. I want to let you know that I have other clients who have expressed similar interests, and some of these **clients have found it very important to have their values incorporated into their investments**. If you are ever interested in learning more about what that may look like, I'd be delighted to have that conversation at your convenience."

"Jessica, congratulations on your purchase! I have found that many of my **clients are looking for ways to make a difference** - whether it is with the purchase of a hybrid car, solar panels, or in other meaningful ways. Some of my clients have also expressed a greater interest in having their investments take broader environmental/social issues into consideration. While each person has different priorities, I would be very happy to give you more information on how I've helped my clients achieve their goals."



"Sally, I can see that you are pleased with your overall returns and how that it is tying into your overall long-term plans, however, in regard to your comment of 'owning better companies,' I could share with you how I've helped other clients, who felt like their investments occasionally sacrificed their values, find more **interest-aligned options**."

"Jeremiah, I've noticed that you've lately been increasing the donations to your synagogue. I can see this organization is important to you and your family, and I want you to know that I serve other clients with similar values. If you'd like, I could provide some examples of the ways I've been able to help those **clients align their faith with their investments** and other financial accounts."

Conclusion

The highly competitive nature of the financial planning industry subjects financial advisors to pricing and performance pressures not discernible to the public at large. Differentiating your practice by allowing the space to incorporate clients' values can create a competitive advantage and encourage client loyalty. Catering to your clients' values-driven desires will not only help you fulfill your "Know Your Client" regulatory obligations, it can help you build your practice in a meaningful way. ☺

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