Rising ESG Demand Creates Opportunities to Connect with Clients

New data reveals an urgent need to guide clients through sustainable investing decisions.

Investors have been turning to environmental, social and governance, or ESG*, strategies (also referred to as sustainable strategies) at a record pace. But which investors are driving this growth and are they getting the right guidance to make good choices with their sustainable investment options?

FlexShares' recent survey[1] of high net worth (HNW) and high income investors reveals that interest in ESG/sustainable investing is widespread — and advisors may be missing opportunities to discuss ESG strategies with their clients.

$300B

Total assets in U.S. sustainable funds topped $300 billion in mid-2021, nearly double the amount one year earlier.[2]

Despite widespread client interest, the majority of HNW investors aren't getting ESG recommendations from their advisors.

Interest in sustainable investing

- **27%** Very interested
- **38%** Somewhat interested
- **35%** Not interested

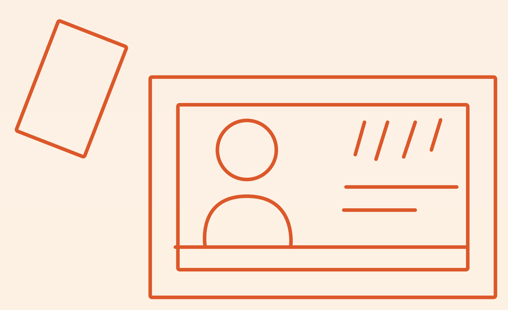
66% of interested clients are planning to increase their ESG allocations — nearly all of them (90%) within 3 years.

Of those who don't hold ESG who are at least somewhat interested: Has your advisor suggested sustainable/ESG investments to you?

No	Yes
89%	**11%**

Instead, investors are mostly exploring ESG on their own.

#1 place clients have heard about ESG:



Media sources

#1 source of information about sustainable investing options:

I do my own research

Understanding client motivation is essential for productive conversations around ESG.

Why are you interested in ESG investing? (top three answers)

- **73%** *"I want to align my investments with my values"*
- **50%** *"To address priorities such as climate change or diversity, equity and inclusion"*
- **48%** *"To capture growth potential from sustainable business practices"*

Clients who are somewhat interested would be more interested if:

- My financial advisor recommended it: **47%**
- My financial advisor explained how it could help my portfolio: **65%**
- I understood how I could align it with my values: **38%**

So talk to your clients about ESG before they look for guidance elsewhere

47% of interested respondents said they would leave their financial advisor if they can't/won't suggest ESG opportunities.

Clients may have more interest in ESG — and more questions about it — than you realize.

Taking the initiative to start these conversations can help you retain current clients and attract new ones. By discussing whether sustainable investing makes sense for their situation — and helping implement ESG strategies if it does — you can help better serve your clients and build a stronger business.

[1]Survey fielded in April 2022 to 506 consumers who were working with a financial advisor; each had a minimum of $100,000 in investable assets and a minimum household income of $100,000.
[2]Morningstar, Inc. https://www.morningstar.com/articles/1048918/us-sustainable-fund-assets-reach-a-new-milestone-in-2021s-second-quarter
*ESG investing is defined as utilizing environmental, social, and governance (ESG) criteria as a set of standards for a company's operations that socially conscious investors use to screen potential investments.