

NEWS ESG

ESG in advisors' own words



Financial advisors offer their thoughts on sustainable investing, how politics is affecting it, what clients want to know and how it could help or hurt their practices.

April 3, 2023 *By Emile Hallex* 

You have read 0 of 3 free articles this week. [Register now for increased access.](#)

We asked financial advisors for their thoughts on the lifespan of sustainable investing, how politics is affecting it, what clients want to know and how it could help or hurt their practices. Here's what some of them said in email responses to InvestmentNews:

CHRIS CHEN, INSIGHT FINANCIAL STRATEGISTS:

"[ESG is] here to stay. [Some of the candidates](#) seem to have reached into the pulse of their voters and decided that they are fed up with ESG, the environment, social justice, etc. And it's true there has been a lot of talk about ESG issues for a while, and it gets tiring, especially when it's difficult to see results.

[Related: [LINK TO COVER STORY](#)]

However, when it comes to the environment, we see what is happening. We see the temperature extremes, the weird seasons, the eroding coastlines. You can be against caring, but we'll increasingly have to deal with it, regardless of what politicians say. Money question: Do the politicians even believe what they say?

The way that things are going, environmental issues will continue to worsen, and anti-environmentalist will look and feel more ridiculous all the time. And the pendulum will swing again, maybe in the image of the climate more violently and more extremely.

In the meantime, folks who have been historically on the ESG remain firmly there. They continue to want solutions that will help, and will help [make them feel better.](#)"

THOMAS BALCOM, FOUNDER, 1650 WEALTH MANAGEMENT:

"ESG is a non-starter. I have yet to have a client ask me to invest for him/her based upon an ESG score. Being in Florida, some folks are aware of the news being created by [Gov. DeSantis](#), but they are more concerned with whether their retirement funds will meet their cash flow needs. I have asked a number of mutual fund wholesalers about ESG, and they have commented that it's a more common concern in the Northeast and the West coast and not as much in our region. We do not bring it up to clients and clients do not bring it up to us. It's like politics — it's best not to bring up since you're likely to have half of your clients for it and half of your clients against it."

MITCHELL KRAUS, OWNER, CAPITAL INTELLIGENCE ASSOCIATES:

"I am a Chartered SRI Counselor but do not do ESG investing for all my clients. First and foremost, there are certain clients who only want ESG investments and will leave their advisor if the advisor does not understand their desire. It is a very personal issue, and it is about matching their portfolio to [their values](#). Many of my clients will tell me that they do not care if their performance matches the markets as long as they aren't supporting certain industries that they do not fit their moral compass. Others believe that ESG investments are more long-term thinking in nature and will outperform long term and aren't worried about short-term natures.

Of course, some clients are the opposite. I have clients who call me to make sure that they're not in any of 'those socially responsible investments,' as they believe it avoids some top performing investments."

SARAH PAULSON, OWNER, VALKYRIE FINANCIAL:

"I'm a millennial and my practice focuses on [millennials](#).

The number of clients who do not care about losing some return potential as long as they are investing in companies that aren't destroying the planet and/or society tells me ESG is here to stay. This generation understands that [their money has power](#) and they're insistent on using it not just to help themselves, but also to affect change with it.

From a returns perspective, there is mounting evidence that ESG is a winning strategy. Research has shown that companies with explicit and proven ESG initiatives give more consistent returns than companies that don't. Investors like consistency."

KEVIN CHEEKS, FOUNDER, IMPACTFI:

"In the short term [the political attack on ESG] could be hurtful, as I suspect it may cause a lot of people to further entrench themselves in their own ideology based on what they think sustainable investing means or what they hear from their preferred candidate. However, over the long term, I think this could be a good thing. In the entertainment business they say there's no such thing as bad publicity.

There are also data showing that advisors who are focused on a [niche clientele](#) tend to see more meaningful growth over time. That might be challenging for the advisor who's been around for a long time, has always remained neutral on the topic, and has a large practice with clients evenly divided on both sides of the conversation. But those advisors who have clients who largely lean one way, or for newer advisors, this is a great opportunity to differentiate."

DAVID TENERELLI, FINANCIAL PLANNER, STRATEGIC FINANCIAL PLANNING:

"SRI and elements of ESG analysis have been in use for decades, and in my opinion will continue to proliferate as the general population continues to become more aware of what institutional investors have known for many years: ESG risk factors are financially material risk factors, and those factors necessarily impact long-term investment returns.

I suspect that only those who are extremely partisan will continue to buy into the myth that ESG is 'woke.' There is a certain irony in some politicians espousing their 'free market' beliefs while also seeking to reduce the freedoms of retirement plan fiduciaries to consider financially material risks in their plan design. This moment may become a critical opportunity for proponents of ESG to sharpen their message about the benefits of ESG and, equally importantly, refine their communication that ESG is not political and is not just 'one thing.'"

THILAN KIRIDENA, FOUNDER, CAPITAL ELEMENTS:

"ESG is definitely here to stay, but the E, the S, and the G measure three very different things, and the [standardization](#) of reporting or measures is still in the very early stages. This is one of the biggest challenges for financial advisors working with retail clients.

The absence of standardization means that companies can report their ESG performance in different ways, using different metrics and definitions.

Another challenge is the reliability of ESG data. As ESG factors are often qualitative and subjective, verifying the accuracy and reliability of the data reported by companies can be challenging.

As the industry evolves and a more reliable index is in place, there can be a wider adaptation from investment advisors that handle portfolios of the wider population, as explaining the measures and the comparisons we make will be apples to apples."

KASHIF AHMED, PRESIDENT, AMERICAN PRIVATE WEALTH:

"We don't take a 'stand' on anything. We do what is right for the client.

For clients who feel this is important to them, it's a discussion we have. For these clients, what a politician is barking about does not, and should not, sway them from their own values, and especially when making critical financial decisions with long-term implications. I feel politicizing this will likely cause people who already care about this to dig in and reaffirm their belief in ESG. They will feel under assault."

[More: [Love it or hate it, ESG has been around for decades – and it isn't going away](#)]



Related Topics: [1650 Wealth Management](#), [American Private Wealth](#), [Capital Elements](#), [Capital Intelligence Associates](#), [ImpactFI](#), [Insight Financial Strategists](#), [Strategic Financial Planning](#), [Valkyrie Financial](#)

Learn more about [reprints and licensing](#) for this article.

Newsletters

Subscribe for original insights, commentary and analysis of the issues facing the financial advice community, from the InvestmentNews team.