

## Sixth Annual Responsible Investing Survey | 2021

# Education is key to driving investor interest in responsible investing

*In the latest edition of our annual responsible investing survey, we interviewed over a thousand investors on their past, current and future views and activities around responsible investing and their need for engagement with advisors. Education continues to be a driving theme, with investors putting ever more demands on their advisors, or otherwise just going alone.*

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## EXECUTIVE SUMMARY

Interest in responsible investing (RI) continues to grow year-by-year. Throughout the sixth edition of the survey our findings show that more investors with financial advisors than ever are both currently integrating responsible investing into their portfolios, and expect to increase those allocations over the next five years. Investors are also taking independent action to align their portfolios with their concerns around climate, social risk and diversity and inclusion. We see a growing opportunity for advisors to engage with their clients on RI, to educate and lead the conversation in a way that frames RI in terms of risk management, alignment of investors' concerns with investments, and to help non-millennial investors reach the same level of RI enthusiasm as the millennial cohort. Nuveen's annual Responsible Investing Survey was conducted from August 24 to September 3, 2021 and covered 1,007 investors, including 332 who said they are currently engaged in ESG investing.<sup>1</sup>

# Key findings

	STRONGLY/ SOMEWHAT AGREE (NET)	MILLENNIAL	NON- MILLENNIAL
Advisors who discuss responsible investing with investors are more forward-thinking	80%	93%	76%
I would be more comfortable working with an asset manager that had experience in responsible investing	79%	94%	73%
It is important to me that my asset manager is knowledgeable about responsible investing	78%	96%	72%
Recent climate-related natural disasters have made me more interested in responsible investing	66%	85%	59%
I do not trust asset managers that are new to responsible investing	39%	44%	38%

**53%**

**OF INVESTORS**

polled are currently participating in RI, the first time it has been a majority of respondents and up 9% from 2019.

**57%**

**OF INVESTORS**

say that they are very or somewhat familiar with responsible investing. But there is a significant age gap in familiarity: 30% of non-millennial investors have never heard of RI, versus just 2% of millennials.

**66%**

**OF RESPONDENTS**

say that recent climate disasters have made them more interested in RI.

**81%**

**OF INVESTORS**

agree that it's important for their advisor to talk to them about their personal values and the same number agree that it's important that their advisor talk to them about how their investments can reflect their personal values.

**Awareness**

We have seen an uptick in participation and awareness. Significantly more investors aware of RI are currently participating in it compared to 2019 and 2018 (53% in 2021, 44% in 2019 and 44% in 2018).

**63%**

**OF ALL INVESTORS**

agree that their financial advisor could do much more to help them see the specific societal or environmental benefits of their responsible investing. Even more, 55% of investors who are not currently participating in RI would also like to see their advisor help them see the benefits.

**79%**

**OF INVESTORS**

agree they would be much more loyal to a financial advisor who actively helps them invest in a way that also has positive impact on the world.

**Education**

Investors feel strongly that their advisors are knowledgeable of RI. It also shows stark differences between millennial cohorts and non-millennials. Millennials are significantly more demanding of advisors and asset managers with regards to their knowledge of RI.

**82%**

**OF INVESTORS**

surveyed use or would use advice from their advisor to decide on the current allocation of RI in their portfolio.

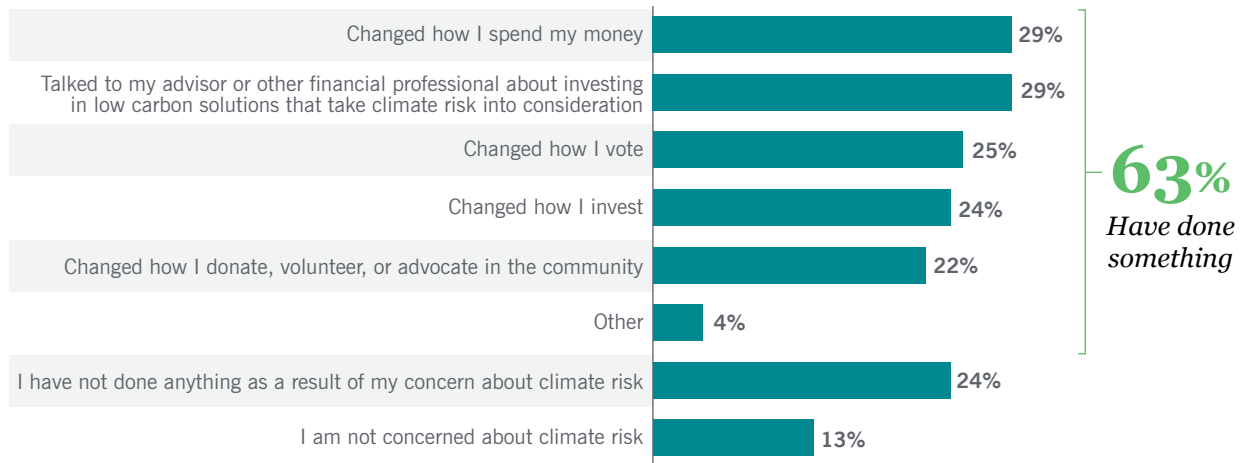
# Growing investor concern over ESG has led to action

*Our survey indicates that across environmental, social and governance issues investors are becoming increasingly knowledgeable and want to make changes to their behavior that reflect their evolving views and knowledge.*

Recent events have driven that concern, and investors are taking action to better align their portfolios with their personal values. Sixty-six percent of investors say that recent climate disasters have made them more interested in RI. As a result of their concern about climate risk, 29% of investors have talked to their

advisor about investing in low carbon solutions that take climate risk into consideration and 24% changed how they invest. However, there are differences in levels of enthusiasm 85% of millennials are more interested in RI because of natural disasters. Changing news and climate impact are impacting their willingness to learn more.

## Actions taken as a result of climate change concern



### HIGHLIGHTS

**63%**  
**OF RESPONDENTS**  
have taken some kind of action as a result of their concerns regarding climate change.

**24%**  
**OF PEOPLE**  
who are concerned but who haven't done anything are ripe for further education and nudging into action.

Investors participating in RI are more likely than those not participating in RI to have talked to their advisor about investing in low carbon solutions that take climate risk into consideration (49% vs. 22%, respectively) or changed how they invest (44% vs. 14%, respectively).

After we saw how investors are taking action regarding their concerns around climate change, we also asked investors about other types of risk. We learned that many investors are applying the same strategies around social risk. We see increasing numbers of investors

taking a variety of actions to modify how they use their money or time to help mitigate their growing concerns in this area. This highlights that it is not just climate risk that is a concern for investors, but other forms of risk are driving their approach as well.

### Actions taken as a result of social risk concern



#### HIGHLIGHTS

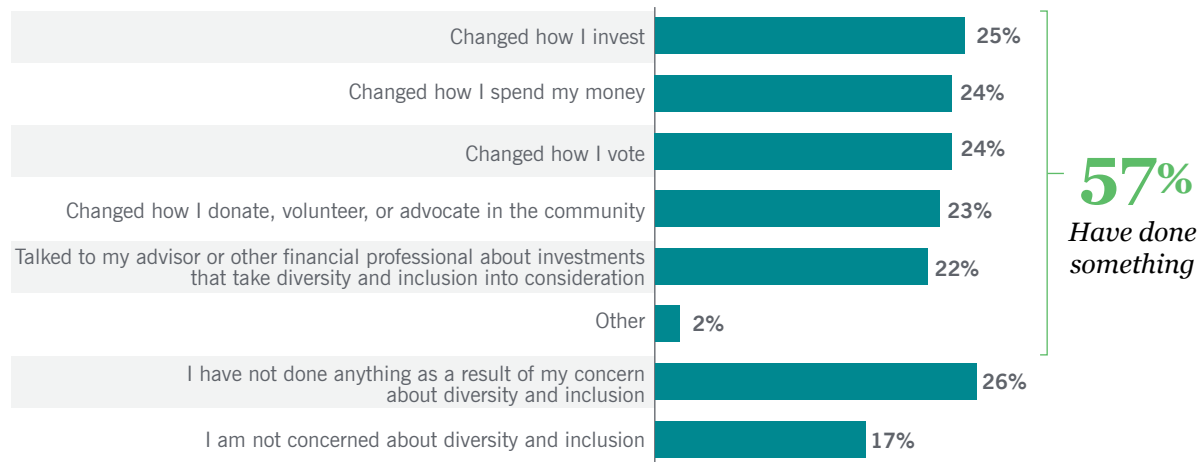
Similar to climate risk,  
**60%**  
**OF INVESTORS**  
 have taken some form of action as a result of their social risk concerns. The split is even across various activities though.

As a result of their concern about social risk,  
**28%**  
**OF INVESTORS**  
 have talked to their advisor about investments that take social risk into consideration and 27% changed how they invest.

Again,  
**26%**  
**OF RESPONDENTS**  
 have not yet done something, and would be a good target for education.

Investors participating in RI are more likely than those not participating in RI to have talked to their advisor about investments that take social risk into consideration (47% vs. 23%, respectively) or changed how they invest (51% vs. 17%, respectively). There is a momentum among those currently driving this engagement to talk to their advisors and do more with their portfolios. We need to work to close the gap between investors talking to their advisor and those who are not, to help them realize that ESG investing can have a positive impact and maintain performance.

### Actions taken as a result of diversity and inclusion concern



#### HIGHLIGHTS

We see that a majority of investors have taken action as a result of their concerns regarding D&I.

**57%**

**OF INVESTORS** have done something, again though we see this relatively split across different activities.

As a result of their concern about diversity and inclusion,

**25%**

**CHANGED** how they invest and 22% talked to their advisor about investments that take diversity and inclusion into consideration.

#### INVESTORS

participating in RI are more likely than those not participating in RI to have changed how they invest (47% vs. 15%, respectively) or talk to an advisor or other financial professional about investments that take diversity and inclusion into consideration (39% vs. 15%, respectively).

The **26%**

**OF PEOPLE** who are concerned but who haven't done anything again need further education from their advisors to drive action.

We also see that it is not just millennials taking action. In the above datasets we can identify that around a majority of non-millennials are taking action on their concerns regarding climate, social and diversity and inclusion concerns. We further see that non-millennials are reporting that they are changing how they spend their money and talking to their advisors about their concerns. From this we can read that the momentum is happening among non-millennials as well as millennials.

While millennials are more likely than non-millennials to currently participate in or to have participated in responsible investing in the past (88% vs. 48%, respectively), this still shows that nearly half of non-millennials are investing in RI.

We also see that 76% of non-millennial investors believe that an advisor who discusses RI is more forward-thinking, and that 73% would be more comfortable working with an asset manager that is experienced in RI.

While 51% of millennials are currently participating in RI, and as expected those percentages decrease as we go up through the age cohorts, these numbers don't drop off as dramatically as might be expected. If we take the highest slice of our demographics, those investors aged 65 and over, 10% of investors currently participating in RI are from this age range. As a whole, 17% of investors currently participating in RI are from the boomer generation (those born 1946-1964), while the Gen X cohort (those born 1965-1980), which will be the next to hit retirement in size, makes up 32% of investors currently participating in RI.

# Advisors can build stronger relationships with engagement

*After being given a definition of RI, almost half of investors (49%) indicate their financial advisor has not brought up the concept of RI. However, this number is down from prior years when it was a majority of investors.*

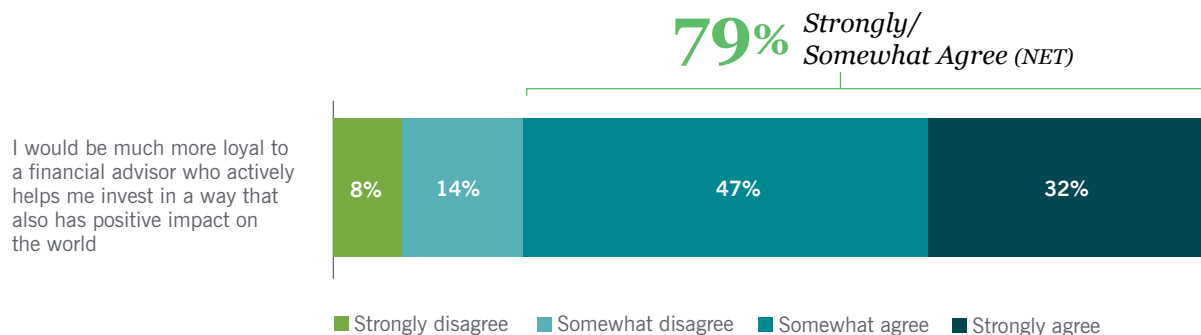
This is a definite sign of progress with advisors more likely to initiate that conversation, but more work can be done. Advisors at the forefront of RI best practices are working with their investors to engage on RI and their clients' values, and to ensure that they are examining their needs holistically.

Those not currently participating in RI are more likely than those participating to indicate their financial advisor has not brought up the concept of RI (63% vs. 10%, respectively). Are advisors nervous about bringing up RI to investors who don't ask about it first? Our survey indicates that advisors might be the ones that need to take this first step, but once taken, it should be met with enthusiasm from investors.

**79% of investors agree they would be much more loyal to a financial advisor who actively helps them invest in a way that also has positive impact on the world.**

However, there is something of a lack of confidence in the ability of advisors to meet the needs of their clients. Half of those participating in RI agree with the sentiment that advisors are not equipped with knowledge to help them see the societal/environmental benefits of RI (50% vs. 27% of those not currently participating). This shows that investors who are currently participating in RI are a higher burden on advisors than the investors who are not. This could mean that investors are climbing the ladder of demanding better information faster than their advisors.

## Loyalty to FA who actively helps investors invest in ways that have positive impact on world



# Investors want advisors to lead education efforts

*As seen above, investors are changing their behavior as their concerns regarding ESG matters have grown. But more can be done by advisors to educate investors on how they can change their investments to better support their personal values. Our survey consistently finds that investors want their advisors to engage on RI.*

	STRONGLY/ SOMEWHAT AGREE (NET)
My advisor is able to answer my questions about how to be a responsible investor based on my values	84%
Discussing my values with my advisor can help me trust their advice more	83%
It's important for my advisor to talk to me about my personal values	81%
It's important that my advisor talk to me about how my investments can reflect my personal values	80%
I would be much more loyal to a financial advisor who actively helps me invest in a way that also has positive impact on the world	79%

Eighty-one percent of investors agree that it's important for their advisor to talk to them about their personal values and a similar number agree that it's important that their advisor talks to them about how their investments can reflect their personal values. Investors want to have that conversation and want their portfolios to reflect those values.

However, most investors only sometimes or rarely/never discuss responsible investing (56%) or personal values (55%) with their advisor.

Further, our survey indicates that investors see a large role for advisors in educating them on how

considerations can have an impact. The majority of investors (59%) agree that it is hard for them to see the specific societal or environmental benefits of their RI. Additionally, among investors who agree it's hard for them to see the specific societal or environmental benefits of their RI investments, 73% would invest even more in RI if the specific societal or environmental benefits of their investing were easier to see.

Among investors who disagree that it is hard for them to see the specific societal or environmental benefits of their RI investments, 79% agree that being able to see the specific societal or environmental benefits of their responsible investing makes them want to allocate more to responsible investing.

However, 63% of all investors agree that their financial advisor could do much more to help them see the specific societal or environmental benefits of their responsible investing. Even more, 55% of investors who are not currently participating in RI would also like to see their advisor help them see the benefits.

Investors are increasingly showing concern for ESG matters. Investors are reaching out, wanting their advisors to ask about their values, asking for education about the impact that RI investing can have and seeking information regarding how mitigating ESG factors can manage risk in a portfolio. Advisors have to step up and fill the gaps in education that investors are desperately seeking.

This opens up opportunities to build relationships with clients in a much broader sense. By engaging with their families and children to build multigenerational client relationships, advisors can bridge that divide. Our survey shows that engaging on these matters will build advisor loyalty, and much more so in the younger cohorts. There is an opportunity to lay the groundwork for meaningful client relationships across the generational divide, at a time when younger investors need significant help in reaching their retirement goals.



# Performance still the key consideration, but risk management growing

*The vast majority of investors used/would use advice from their advisors (82%) to decide on the current allocation of RI in their portfolio.*

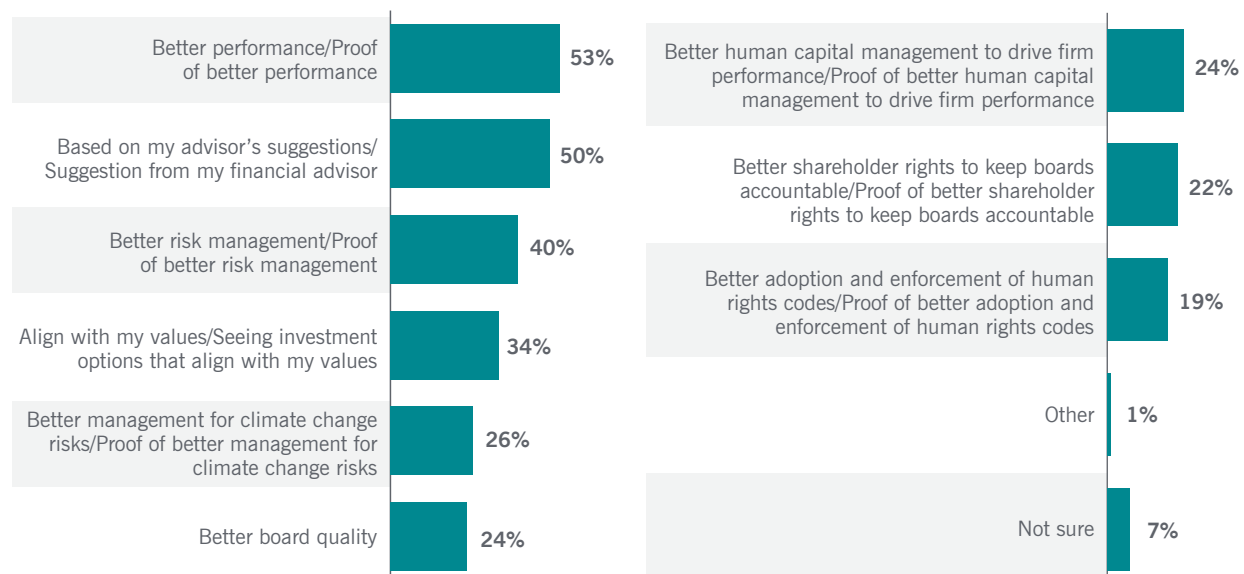
However, investors participating in RI are more likely than those not participating to indicate they used their own research to decide on the current allocation to RI in their portfolio (63% vs. 50%, respectively). Again this shows that investors are engaging on the journey of RI whether they are getting the right level of advice from their advisors or not. Advisors who aren't engaging with their clients on RI risk being left behind by those clients as more and more investors become concerned, conduct their own research and start changing investments to reflect their values.

Investors are still willing to listen to their advisors on matters of portfolio positioning, especially if it can help them pursue higher returns. Half or more investors cite "better performance/proof of performance" (53%) or "based on my advisor's suggestions/suggestions from my financial advisor" (50%) as reasons they currently participate/participated/would participate in RI.

As a growing area of engagement, almost half of those who participate in RI (49%) cite "better risk management" as a reason they currently participate in RI. This is significantly higher than the 32% of investors not participating in RI who say "proof of better risk management" would be a reason for them to participate in RI. Education that RI within portfolio allocation can help manage risk would be an area of growth for advisors.

More than 4 in 5 (86%) agree that it is important for their advisor to help them understand how strong governance practices can help them avoid risk. The majority (94%) of those currently participating in RI and those not participating (76%) agree that it is important for their advisor to help them understand how strong governance practices can help them avoid risk.

## Reasons for participating in RI



# Current and future RI allocations increasing

*Investors look to their advisors to help with asset allocation decisions, including decisions tied to responsible investing.*

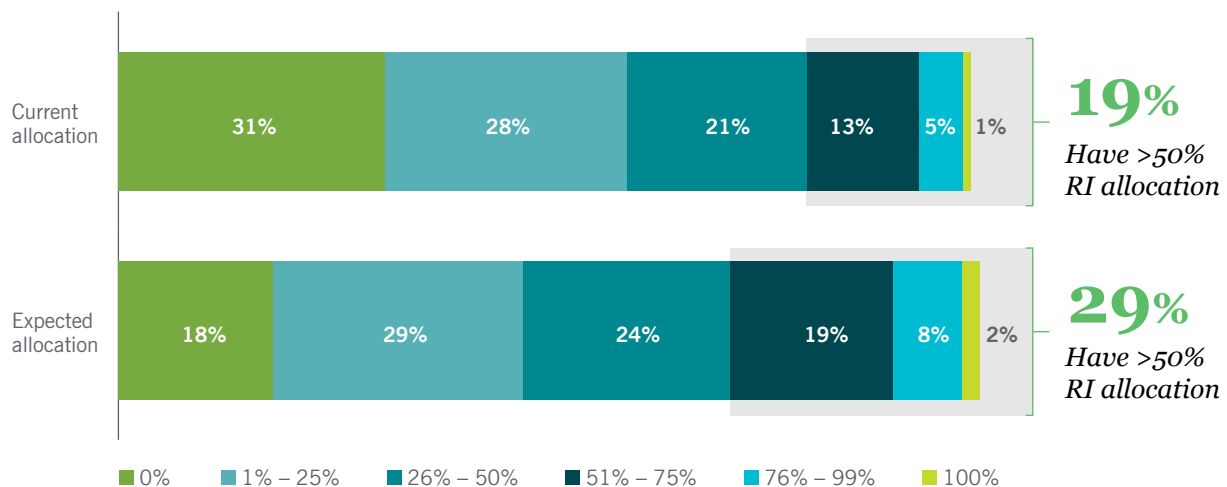
Eighty-two percent of investors use or would use advice from their advisor to decide on the allocation of RI in their portfolio. Interestingly, investors currently participating in RI are more likely than those not participating to indicate they used their own research to decide on the current allocation to RI in their portfolio (63% vs. 50%, respectively). We see this as evidence again that there is a desire for increased advice from advisors to help with asset allocation, but in the interest of time or maybe due to lacking the right tools or data, investors are conducting their own research and taking their own path.

Significantly though, our survey shows that the allocation to RI is growing year-over-year, and investors expect that allocation to continue climbing over the next five years. Nineteen percent of investors have a greater than 50% RI allocation in their

portfolios at the moment, whereas 29% expect to have more than 50% allocation in five years. The momentum is clearly on the side of increasing allocations to RI, and we expect this to continue.

More importantly, while 31% of investors currently have 0% RI allocation in their portfolios, the percentage of investors who see a 0% allocation in five years is just 18%. Further, we see that non-millennials are more likely than millennials to have 0% of their portfolio currently allocated to RI (40% vs. 3%, respectively). Further, non-millennials are more likely than millennials to expect to have 0% of their portfolio allocated to RI in 5 years (24% vs. 1%, respectively). The older cohorts are less engaged with RI than the younger investors, but they still see themselves on the journey to increasing their allocations to RI.

## There is room to increase share of portfolio for RI



## CONCLUSION

Throughout this year's survey we have seen that although there might appear to be a gap between investors and advisors on RI, that gap can be closed with educational resources. That gap is where Nuveen can help. The rapidly developing universe of responsible investing, the associated terminology, best practices and products can be confusing.

### #1

#### DISPELLING THE MYTHS

Dispelling the myths of what RI means, distributing the materials to see the benefits of RI and tying that narrative together can create genuine value for the relationship between an advisor and client.

We also understand that some advisors and clients are at different places on the journey of education around RI, and we want to help level that information deficit.

### #2

#### TEACHING PRINCIPLES

The underlying principles of RI can help investors see the benefits, and as our survey shows, this naturally brings about more enthusiasm to engage with RI products further.

Understanding that RI directly relates to risk management in a portfolio, and risk management has a firm relationship to ultimate performance, is a key consideration for getting RI into portfolios. Diversifying away from companies that pose ESG risks to a portfolio can help future-proof against climate risk and against the financial risk that comes with underlying problems of governance.

### #3

#### ESTABLISH CONNECTIONS

We can help establish the building blocks that tie good management of a company's employees and stakeholders with its ultimate returns.

These are the areas where we have seen investors acting on their own, whether through voting or local organizations, and we want to make sure that they are expressing their personal values through their investments and through conversations with their advisors.

Providing that proof, that measurement, giving that conversation about values a deep financial grounding that directly relates to a client portfolio is what Nuveen can provide and what we want to provide going forward.

### #4

#### OUR VALUES

Our hope is that the conversation about values becomes integral to the conversation about portfolio construction, and that RI is seen as vital to the long-term performance of a portfolio.

We want all advisors and investors to have detailed meaningful discussions about aligning personal values into portfolios as we believe that this will ultimately lead to longer-term, deeper multi-generational relationships between investors and clients that can drive returns and integrate values side-by-side.

We firmly expect this conversation to continue across multiple years. Our company's climate targets stretch decades into the future and we fully expect investors to have the same horizons. We want to move the needle on the number of investors who are acting in their portfolios to reflect their values, and we want advisors to be there for that journey.

**For more information about RI, visit us at [nuveen.com](https://nuveen.com).**

### Endnotes

1 Nuveen commissioned The Harris Poll to conduct an investor survey to further enhance the company's leadership position among investors, the media, customers, prospects, and the broader investment community. The investors survey was conducted online within the U.S. by The Harris Poll on behalf of Nuveen between August 24 and September 3, 2021 among 1,007 investors who met the following criteria: U.S. resident, age 21+, \$100,000 in investable assets (excluding 401(k) or 403(b) accounts) or real estate, primary or joint decision-maker for household financial decisions, and currently working with a financial advisor.

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### A word on risk

Investing involves risk; principal loss is possible. There is no guarantee an investment's objectives will be achieved. Investments in Responsible Investments are subject to the risk that because social criteria exclude securities of certain issuers for nonfinancial investors may forgo some market opportunities available to those that don't use these criteria. Impact investing and/or Environmental, Social and Governance (ESG) managers may take into consideration factors beyond traditional financial information to select securities, which could result in relative investment performance deviating from other strategies or broad market benchmarks, depending on whether such sectors or investments are in or out of favor in the market. Further, ESG strategies may rely on certain values based criteria to eliminate exposures found in similar strategies or broad market benchmarks, which could also result in relative investment performance deviating. Investment products may be subject to market and other risk factors. See the applicable product literature, or visit [nuveen.com](https://nuveen.com) for details.

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