Social Impact Investing: A Flash In The Pan Or The Wave Of The Future?

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My role as a wealth advisor requires me to evaluate the multiple investment options available to our clients and distinguish which offer real, long-term opportunity from those that are just the latest fad.

In that vein, is social impact investing here to stay or is it just a flash in the pan.

I'm betting it's here to stay. Here's why:

1. It's proactive and very personal – What used to be a game of simply avoiding the "bad stuff" through screened indices and mutual funds (the old "socially responsible investing") has given way to a panoply of direct and very active investment opportunities in social initiatives of every stripe. Believe in fighting prison recidivism? Or aiding land conservation? Or helping individuals avoid foreclosure and stay in their homes? Social impact investments exist that are designed to address all of these issues. The hardest part now is deciding which issues you believe in and finding an advisor who is well versed enough in the space to know the alternatives available for each issue (and to vet the investments that are the real deal from those that are simply "greenwashing" their image to benefit from the spike in interest in impact investments.)

2. It's increasingly about real financial returns – By whatever moniker it's been known through the years, socially-minded investing has long borne the stain that it is destined to deliver sub-market results to people who lead more with their heart than their head. Skeptics have maintained that they'd rather compartmentalize – make money the old-fashioned way in investments that may not necessarily always be that great for society at large – and then give back to society through philanthropy where the goals are clear and everyone knows it's a money losing proposition. But times, and social impact investing's reputation, are changing. It is now possible to construct a truly diversified multi-asset class portfolio – of equities, bonds, real estate, timberland and farmland, with real impact, and few, if any, return trade-offs.

3. Demographics are on its side – Studies estimate we're about a third of the way into a 55 year period during which $41 trillion will pass from the baby boomer generation to their heirs, giving younger generations control over how these assets are invested. All of the "next gen" conferences I attend – aimed at these young people, particularly those who will stand to inherit large sums – put impact investing front and center on the agenda in response to attendee demand. Impact investing presents young people with a way to unite their values and their money. This is an appealing proposition to anyone, but especially to Millennials who register in surveys as having an optimism about the state of the world buoyed by their conviction that they can solve the world's problems through technology or other human advances. And next gen inheritors, who may have long felt alienated from the "investment" conversation that was the domain of their parents and their parents' advisors, can own the social impact investing discussion. Their values and causes that may have been relegated to post-investment discussions are now a key part of the conversation and are integral to the preservation of the family's wealth.

4. The movement is organizing and increasingly effective – A growing number of organizations – SIRAN (The Sustainable Investment Research Analyst Network), Ceres , As You Sow, and US SIF (The Forum for Sustainable and Responsible Investment) – are using the power of technology and social media to mobilize and coordinate like-minded social impact investors. Now these individuals working collectively are able to reach the critical mass required to launch grassroots initiatives, get the attention of corporate board rooms and effect shareholder-driven change at leading multi-national companies. Even governments are getting behind the movement with public-private partnerships and task forces designed to hone standards for assessing impact.

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