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Social impacts drive where millennials put their money

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Socially responsible investing is going mainstream.

Impact investing, as it is also known, was once viewed as investing with your heart. Few opportunities were available and not much return on the investment.

But a new generation of investors is changing that. Impact investing – investments made into companies, organizations and funds with the intention of generating social and environmental impact with a financial return – is growing and it's no longer just for the altruistic.

"You are seeing this big discussion with millennials who want to understand the opportunity – can I truly make a difference by making choices with my investments," said Casey Verbeck, Western Region Director of the Boulder-based Veris Wealth Partners.

All of a sudden Denver, Boulder, the Bay Area and Seattle are major pockets of impact investing, he said.

And it's more than awareness, he said. There has been a fundamental shift from investors dropping a stock or company if they learn that the company had a negative affect on the environment or society. Now impact investing is a pro-active approach to choosing among a number of companies that meet the investors' ideas about conservation or social issues, for example.

"(Companies) are realizing the demand is growing – they are hearing from their shareholders," he said. "Shareholders advocacy is at a new level – that is a major movement and it's a cultural shift. Exposure to what the world needs is at a whole new level and it's driving decision making."

Impact investing is important to watch because experts estimate that over the next 30 years, Baby Boomers will transfer about $30 trillion in assets to Generation Xers and millennials. Millennials – an estimated 80 million people born in the U.S. between 1980 and 2000 – are going to heavily influence their peers and parents about how to think differently when it comes to investing, Verbeck said.

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Intellecap, an India-based advisory firm focused on social enterprises, estimates that $1.6 billion of capital has been invested in more than 220 impact enterprises across India as of summer 2014.

The number of high net-worth investors (HNWI) has risen in the U.S. according to the U.S. Wealth Report 2014 by Capgemini, a global consulting firm, and Canada-based RBC Wealth Management.

The population of U.S. HNWIs jumped 17 percent to 4 million and their investable wealth by 18 percent to reach $13.9 trillion, according to the report. And its those high net worth investors under 40 who are particularly focused on driving social impact, with 81 percent citing driving social impact as extremely or very important to them, according to the report. They are interested in social programs, race relations, gender inequality, energy security and unemployment as their top five priorities.

And that means there will be a shift in the types of social issues that get the most attention in the U.S. moving forward.

"I'm in many conservations with millennials and it's fun," Verbeck said. "They immediately understand the importance of thinking about the future. They are bullish. 'I need to invest this way.'"