VERIS Wealth Partners

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The Investment Opportunities In Community Wealth Building and Social Justice

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What's Next in Impact Investing? Community Wealth Building and Social Justice Opportunities in America

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What will the remainder of 2018 bring for impact investors focused on Community Wealth Building and Social Equality?

Judging by the growing product offerings, there will be significantly more opportunities for private capital to address income inequality, promote inclusive growth and quality jobs, and advance human rights and social justice.

Last year, as the investor class experienced robust returns, the growing movement of social impact investors stepped up efforts to ensure more shared prosperity.

The following are some notable trends we'll be watching for the remainder of 2018 regarding Community Wealth Building and Social Equality.

Focus on Income Inequality

While U.S. poverty has declined to the lowest level since the financial crisis, and child poverty is at an all-time low, serious social inequities are still confronting the U.S.

Almost 19 million renters and homeowners are "severely cost-burdened," meaning they pay more than half their income toward housing. Growing evidence points to housing as a main driver of wealth disparity in America. In response, Community Development Finance Institutions (CDFIs), credit unions and banks, private equity and real estate fund managers are raising capital to increase the supply of affordable housing.

The latest Impact Investor Survey conducted by the Global Impact Investing Network (GIIN) found the greatest share of impact capital was allocated to housing in 2016. According to the U.S. Treasury Department, there are over 1,000 certified CDFIs in the U.S., with approximately $108 billion in assets, offering fixed-income notes to individual investors. Many of these funds also invest in quality healthcare and education for low-income families.

For example, Kaiser Permanente announced in May that it is investing $200 million in "housing-as-healthcare." The healthcare provider focused on low-income and homeless families in "rapidly changing communities," starting in Oakland, California. Kaiser's Thriving Communities Fund will integrate and invest in the "social determinants of health," as core to health and well-being.

Another promising development is the increased transparency of bond proceeds. More fund managers are tracking the proceeds from a bond finance to verify that affordable housing units are created or hospitals and schools are developed in Low-and-Median Income (LMI) areas.

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Inclusive economic growth should be further aided by a new program in the Tax Cuts and Jobs Act of 2017 that incentivizes long-term investments in distressed communities designated as "Opportunity Zones."

The Act will enable investors in qualifying funds to defer, and in some cases, reduce taxes on realized capital gains. With an estimated $6.1 trillion of unrealized gains eligible, it's hard to overstate the potential results of this new capital. However, impact investors must ensure that capital flows to those most in need and doesn't serve as an additional subsidy for displacement and gentrification.

Another positive trend is the emergence of large foundations investing their endowments in impact-focused funds. The Ford Foundation earmarked $1 billion from its corpus – one of the largest impact commitments made by a private foundation – for Mission-Related Investments (MRIs) in affordable housing and financial inclusion. Foundations often serve as "anchor LPs," Limited Partners that are the first to commit money to a new fund. Their participation is often a catalyst for more capital to follow.

Human Rights and Justice

Sustainable investors continue to intensify pressure through shareholder activism to eliminate conflict minerals, human trafficking, child and slave labor in supply chains, and to protect indigenous rights.

In the wake of the Parkland, Florida shooting, more investors are divesting not only from gun manufacturers and retailers, but also the banks financing them. Divestment began in earnest after the Sandy Hook shooting in 2012. By 2016, investors pulled $845 billion out of weapons makers and military contractors. Meanwhile, the newly mobilized Investors for Opioid Accountability (IOA) coalition is working to address companies' role in America's latest public health crisis.

The good news is that investor change-agents are joining policy reformers to make real progress. A report from the International Labor Organization in 2017 found that child labor has plummeted. Globally, 98 million fewer children are being forced to work than in 2000. While no other country imprisons as many of its own people as the U.S., mass incarceration in America is on the decline after quintupling between 1974 and 2007. Many sustainable investors have divested from companies that profit from incarceration. They have shifted money to companies with fair hiring practices to help reduce recidivism.

More robust Sustainability/ESG criteria are being developed for evaluating companies on workforce issues such as pay equity, anti-discrimination practices, LGBTQ protections, family leave and health benefits. Through engagement with companies, investors are encouraging C-Suites to acknowledge human capital as the key asset to building great and innovative companies.

Assets invested with a Gender-Lens, which are focused on companies empowering women and girls, reached $2.2 billion deployed through 70 public and private equity and debt fund vehicles. Several funds have raised money to focus on broad-based employee ownership or quality job creation in sectors and communities impacted by automation.

Achieving the Global Goals

In 2017, impact investors enthusiastically embraced the United Nations Sustainable Development Goals (aka UN SDGs or Global Goals). Institutional, corporate, and individual investors alike are beginning to align and measure their investments with one or several of the Goals. Many thematic funds and private investors are focusing on the UN SDGs through access to healthcare, educational tools, electricity, microfinance and low-cost lending to farmers and small businesses in developing countries. The focus is particularly on emerging markets and populations at the base of the economic pyramid. Finally, we're watching the growing blockchain trend, which could enable more efficient refugee and disaster relief, digital lending in remote villages, land titling, and more.

The possibilities are growing for impact investors to complement the work of governments and NGOs in creating a more equitable, prosperous and sustainable planet. The arc of history can bend toward justice, but not without the collective intent to make sure it does.

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About Veris

Veris Wealth Partners is an impact wealth management firm for individuals, families and foundations seeking market performance and social gain. We provide the strategies to help you realize your financial goals and your vision for having positive impact with your wealth. We offer a full-range of investment and wealth management services and coordinate your professional advisors to ensure the smooth execution of your wealth management plan.

Let's Work Together

- A unique approach to wealth management by a team of impact investing pioneers.
- Independent, objective, partner owned
- Gender diverse team with unmatched experience
- Authentic relationships with our clients

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About Luke

Luke Seidl is Senior Associate, Research Analyst, at Veris Wealth Partners. In this role, Luke conducts portfolio, manager, and fund due diligence and evaluates financial and impact performance of current investments and pipeline opportunities.