Five things every advisor should know about faith-based investing

Wisdom from 23 years of helping others integrate faith and finances

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I have worked as national sales consultant for Praxis Mutual Funds for nearly a quarter century. This experience has put me on the frontline of sharing the power of faith-based investing with advisors across the country. Faith-based investing is an investment practice that aims to provide competitive investor returns while aligning investments with their core values. This summer, my career will come to a close, providing me with a moment to reflect. Through the years, I have witnessed tremendous change in the faith-based and sustainable investment field and learned many lessons along the way. Here are five things every advisor should know about faith-based investing.

1) Change is the only constant.

When I began my work at Praxis, we were like John the Baptist crying out in the wilderness. People thought we were odd and doubted our funds would perform well. Despite the fact that faith-based investors were among the original modern sustainable investors, when I started my career, the practice of integrating faith and finances was still unfamiliar. Furthermore, Praxis started the Praxis Value Index Fund back in 2001, well before index mutual funds became popular.

Fast forward to today, and sustainable investing and environmental, social and governance (ESG) are buzzwords in the investing industry. Since the first publication of the biennial US SIF Foundation Trends report in 1995, the sustainable investing industry has grown more than 25-fold, from assets totaling $639 billion to $17.1 trillion in 2020. BlackRock's Larry Fink's annual letters to CEOs have increasingly referenced ESG, including citing climate as an "investment risk", but also highlighting "a historic investment opportunity." What's more, index investing is now widely embraced for its low cost and consistent performance.

Advisors should expect the industry to continue evolving as the world changes.

2) Authenticity matters.

Not all sustainable or faith-based investing funds were created equally. As the practice has gained in popularity, more firms are "bolting on" additional sustainable offerings – some less authentic than others. Advisors should do their research and look for established players with solid track records. Beyond the traditional performance ratings, look at the funds' record on shareholder engagement and community investing. And no, rubber stamping of proxy ballots does not count as engagement.

3) Be ready to meet clients at any point on their stewardship journeys.

Clients may not be interested in ESG or faith-based investing at this moment, but they might be in a year, or five. Maybe their grandkids will get them into it, or they will stumble upon an article describing the practice and approach you with questions. The moment they are ready, you'd better be too.

This is an exciting time for the industry. Competitive performance is achievable, and more people are interested in integrating their deeply held beliefs with their finances.

4) Find commonalities in values.

People are increasingly interested in integrating their values into all aspects of their lives. If a client recycles and tries to bike more, they might also be interested in having their investments reflect their commitment to environmental stewardship. The financial crisis of 2008 made people more conscious about their core values. I believe the same has happened this past year with COVID and the other important conversations around injustice that our country has experienced.

Even investors coming from communities that seem drastically different may have more values in common than you think. There is a reason why the Praxis Impact Bond Fund is consistently one of our most popular. The fund has routinely invested in a way that supports underserved communities – a goal that many investors value.

As a fund family that serves communities holding a variety of belief systems, we have learned that we can make the largest impact when we look for shared core values. This lesson would serve advisors well who are interested in meeting their clients' diverse beliefs and interests. It can be helpful to frame conversations around core values rather than more narrow hot-button issues or labels that can distract from the actual impact an investment could have.

5) Don't overthink it.

BRI, ESG, SRI*… The alphabet soup of sustainable investing can be overwhelming. Clients hire advisors to figure out the confusing part and provide them what they need to know to make informed investing decisions that fit their values. They do not come to you to get into the weeds. Build an understanding of their desired investing principles but remember that you control the conversation and don't make it more complicated than it needs to be.

Conclusion

At Praxis Mutual Funds, we believe that God owns it all and we are simply stewards. Every day, we ask ourselves how we can best steward those resources. This goes beyond how we treat our physical neighbors to include financial decisions that impact our "neighbors" around the world and even the planet itself. For me, it has been an honor to share this message with advisors and their clients over the past 23 years. Being a part of your journey helping clients integrate finance and faith is an opportunity to make a meaningful impact on their portfolios and their lives.

*Biblically Responsible Investing (BRI); Environmental Social Governance (ESG); Socially Responsible Investing (SRI).