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What Generation Is Leading the Way in ESG Investing? You'll Be Surprised.

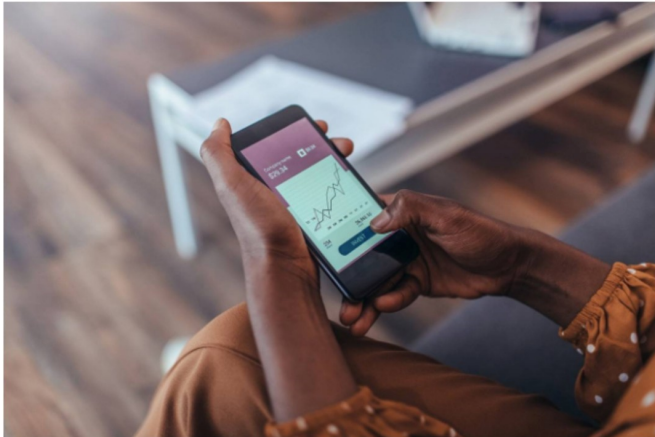
It isn't millennials, the generation that gets most of the attention for driving awareness of ESG issues

By **Dieter Holger**

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Millennials get most of the attention in the world of values-based investing. But growing interest from an older slice of the population—Generation X—and their deeper pockets is helping propel sustainable investing into the mainstream.

Millennials have long held the impact-investing spotlight, driving awareness of the environmental, social and governmental performance of corporations and spurring wealth managers to create funds and services focused on those issues. ESG investing currently accounts for at least 26% of professionally managed assets in the U.S., up from 18% in 2016, according to the nonprofit Forum for Sustainable and Responsible Investment. Fund giant **BlackRock** forecasts that ESG exchange-traded funds will draw in \$400 billion by 2028, up from around \$25 billion last year.



Generation X's interest in investments that make a positive ESG impact has climbed faster than that of any other generation in recent years, says Bank of America's Jackie VanderBrug. PHOTO: ISTOCK

But some numbers suggest that wealth managers might want to pay more attention to Gen X—currently ages 39 to 54—as well.

Gen X's interest in investments that make a positive ESG impact has climbed faster than that of any other generation in recent years, says Jackie VanderBrug, head of sustainable and impact investing at **Bank of America**. She says Gen X investors are asking the bank's financial advisers to review their portfolios for impact more than any other group.

Last year, some 63% of high-net-worth Gen X investors reviewed their portfolios for ESG investments, up from 36% in 2013, according to a survey by **Bank of America** of people with \$3 million or more in investible assets. Millennials at that level were still ahead, at 78%.

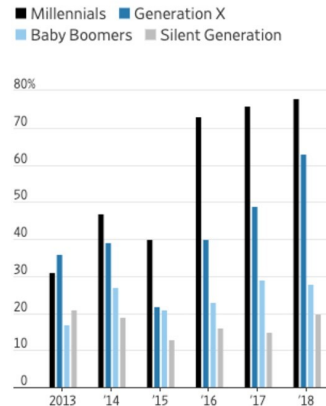
More to invest

Jordan Bastien, a financial adviser at RBC Wealth Management in Philadelphia who specializes in ESG, says Gen X is her main client. "From where I sit, Gen X investors are the biggest movers in the ESG space today," says Ms. Bastien, adding that although surveys generally say millennials are more interested in ESG investing than Gen X, she suspects that Gen X has more dollars invested in ESG. "There is a big difference between interest and action," she says.

Ms. Bastien, 42, says her generation embraces social and environmental investing because they lived through movements like the drive for Title IX protection against discrimination in education based on sex; protests against Nike sweatshop labor and the Exxon Valdez oil spill; and the pursuit of careers by a growing number of women.

Growing Interest

Percentage of high-net-worth investors who have reviewed their portfolios for ESG impact



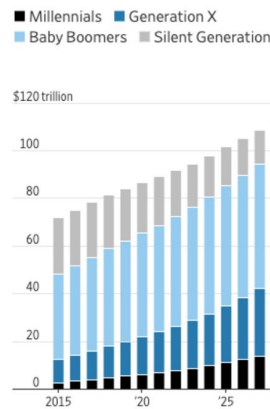
Source: 2018 U.S. Trust Insights on Wealth and Worth; Bank of America

Most funds just screened out "sin stocks" like alcohol and tobacco companies when she first got involved in ESG investing. Today, Ms. Childs is pleased to see more and more companies of all kinds aligning their businesses with positive social outcomes.

"It's no longer about avoiding the bad," Ms. Childs says. "It's about positively affirming the good and knowing that in doing so your financial returns will improve."

Where the Money Is

Estimated net wealth by generation in America



Source: Deloitte Center for Financial Services

feel this is reflected by their increased commitment."

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And they have more money to invest. Today's American Gen Xers have about \$9.2 trillion more net wealth than millennials, despite having a smaller population, and that gap is likely to grow to nearly \$17 trillion over the next decade, according to the Deloitte Center for Financial Services. Gen Xers are projected to accrue \$19.4 trillion in net wealth in the next 10 years, compared with \$11.6 trillion for millennials.

Donna Childs, a 54-year-old on the cusp of Gen X and the owner of Rhode Island-based disaster-preparation company Pristere LLC, says she started making investments based on the ESG performance of companies around 15 years ago. She doesn't work with a financial adviser, but individually picks stocks with high ESG scores for her pension fund and 401(k).

The investment platform Plum, a British startup with about 500,000 users, says its Gen X investors are more likely to put money in its ethical fund than its millennial investors. The fund, managed by Aberdeen Standard Investments and launched in 2014, holds companies with positive environmental, labor, human-rights and anticorruption records as defined by the United Nations principles for responsible businesses. It also screens out companies involved in extreme factory farming, tobacco, alcohol and fur. The fund has grown to £329 million (\$406 million) in assets as of June, up from £75 million in January 2016.

"What we believe, and we would have to further document, is that as people mature and have children they start becoming more sensitive towards the place they are leaving behind for their children to live in," says Victor Trokoudes, co-founder and chief executive at Plum. "We