Investing with an impact

When Jessica Higgins stumbled upon the world of sustainable investing, she found a fulfilling new career path she didn't see coming.

After years spent working with street dogs in Latin America and collecting data on wildlife in Honduras with the Peace Corps, Jessica Higgins of Invera Wealth Advisors of Raymond James never imagined herself working as a financial advisor.

"Not in a million years did I think I would be in financial services," she shares. "The second most surprised person was my mom, who's now my partner."

With a longtime passion for animal protection and the environment, Jessica worked as a wildlife biologist for the United States Forest Service after college and then spent a year in the Peace Corps in Honduras working with a national park guard to help them inventory local wildlife. Later, she worked for Humane Society International in Latin America to improve the lives of street dogs.

After a decade working in the nonprofit sector, it wasn't until she was getting her master's degrees in conservation biology and environmental policy that Jessica really became aware of the intersection between sustainability and finance. In one of her classes, she had a project that involved ESG investing, so she reached out to her mother – veteran advisor of more than 35 years, Mary Brooks – to see if she knew anyone she could speak with to learn more. At the time, Mary was just starting to offer her clients a couple of ESG options, but saw an opportunity to develop a greater niche within her practice.

When the Barron's Women's Conference hosted an ESG panel that year, Mary brought Jessica with her. Afterward, the two spent hours talking about how they could work together and build up the ESG part of the practice, leveraging Jessica's knowledge and experience in the environmental and sustainability space. A mother-daughter partnership was born.

ESG investing is a growing category of investing that takes into account environmental, social and governance criteria in addition to traditional investment analysis.

"We had the magic of timing happen where she started getting questions from her clients about sustainable investing at the same time that I started feeling like I'd done a lot of 'boots on the ground' work and was ready to take a different approach to the same problems."

"IT'S NOT CHARITY"

While the opportunity to get involved in ESG investing is what initially drew Jessica to her career as a financial advisor, she quickly found that she loved the holistic financial planning aspect of the job, as well, and getting to work closely with her clients.

"I find it so energizing to meet with people who have this broad view of what they want to do in their lives and helping them meet both their personal and their values-based goals," she says.

She also helps to educate them about what exactly ESG investing entails and how it can be applied to their wealth management plans. And with that comes addressing some of the misconceptions around it, too.

Without a doubt, the biggest is that ESG screening means smaller returns, she says.

"The great thing is that there are now years and years of academic research showing that ESG screening alone does not negatively impact performance," she explains. "In fact, the theory is that it can actually add to your financial performance because it can find risk that won't be uncovered by your standard financial analysis."

"It's not charity," she adds. "We expect you to get the same financial returns you would get from a non-ESG screened portfolio."

"In my mind, there's really no reason not to apply the ESG screening or filter – only good can come of it."

UNDERSTANDING SUSTAINABLE INVESTING

The world of ESG and sustainable investing has grown swiftly to be a broad one with opportunities that fall along a wide spectrum, ranging from what can be a simple portfolio screening to more targeted and nuanced impact investing and microfinance projects.

At Invera Wealth Advisors of Raymond James, Jessica and her team have developed their ESG portfolio by applying the same financial filters they use on any other portfolio. Then, they do an additional screening to look for companies that score well on all three ESG factors – environmental, social and governance – and eliminate those who score poorly. They can also customize clients' portfolios to their particular values or apply additional exclusionary criteria if a client knows they don't want to be invested in a particular industry.

"I've been with the company for about five and a half years, and we've moved about 20% of the business to ESG-screened portfolios," says Jessica.

Separate from the screening, clients can also add investments in a particular sector, like alternative energy, that they think will perform well financially in their portfolios.

No matter the industry, Jessica points out that sustainable investing is about consciously investing in companies that are behaving responsibly.

"I think one of the epiphanies I had working in the nonprofit world is that you can work really, really hard on a project in a particular corner of the world, and then a company can come build a factory two miles away and completely decimate everything you've done. Or, you can be working for climate change or giving to climate change causes, and then on the other hand your portfolio can be full of companies that are actively lobbying against climate change legislation," she points out.

"So I think [it's important to] realize that if you're not harnessing the bigger market forces, there's only so far you can go."

Of course, deciding which companies are behaving responsibly can be tricky when ESG ratings vary – similar to how other equity analysis often varies, too.

For advisors trying to find research they can trust, Jessica's recommendation is to "do your due diligence, decide which ratings agency you feel most comfortable with and stick with it." In addition to constantly monitoring her options for ESG ratings, she also attends the SRI Conference each year to stay informed about improvements in the field.

However, Jessica is also of the belief that ESG analysis shouldn't be held to a higher standard than other fundamental analysis. "We really need to avoid the trap of making perfect the enemy of the good," she says. "Ultimately, we work with what we have while also working toward continuous improvement.

Ratings will vary. Some of the underlying data is quantitative, like the number of women on the board, but much of it is qualitative. We don't hold this against equity research, and we shouldn't hold it against ESG research either."

A NEW WORLD OF OPPORTUNITIES

For those interested in incorporating ESG investing into their practices, Jessica thinks advisors might be surprised by how many of their clients will be interested and appreciative that they're offering those options. While most of her existing clients do not actively ask about ESG, she says, "Almost to a client, when we've said 'this is something we're offering, are you interested?' – almost everyone has had some portion of their portfolio ESG-screened."

However, many of Jessica's new clients do come to them asking about ESG investing. And institutions like Raymond James are helping to support this rise in awareness by giving advisors new resources and tools to implement sustainable investing into their clients' financial plans.

"It's kind of like it hit a tipping point and now we've got the Sustainable Investing Advisory Council and marketing materials through Raymond James." Plus, Jessica says the number of data providers offering good ESG data has exploded since she first got started.

For her, finding her career as a financial advisor has been an incredibly happy and fulfilling surprise as she's helped her clients take greater ownership over their investments and make an impact. And at a time when issues like climate change and corporate responsibility are at the forefront of our global conversations, ESG investing may be one way that investors and the financial services industry can influence change for the better.

"The long-term goal of course is that companies will care as much about how they score on ESG as they care about their short-term profits," says Jessica. "Because if enough investors are making investment decisions based on these ESG criteria, then companies will want to raise their scores. That's the long-term vision."

Impact investing

Jessica also hopes to soon offer more impact investing products. These might include things like community notes, she says, which would involve investing in a particular project with measurable results. There are also sustainable microfinance projects that Jessica says behave like a bond in the portfolio, but might help fund specific projects in the developing world, for example.

"Impact investing can be more of a hybrid of philanthropy and financial returns. It can mean good returns, or it can mean that you're willing to sacrifice some returns, but you're getting a very specific measurable impact in a particular theme … It's almost like philanthropic venture capital."

JESSICA F. HIGGINS, MS, CFP®
Financial Advisor

Finer points

WHO ARE YOUR HEROES? My #1 hero is Jane Goodall. She blended professional rigor with compassion, completely changing the lens through which science and the public view non-human animals.

YOU'RE STRANDED ON A DESERTED ISLAND. WHAT THREE THINGS DO YOU HAVE WITH YOU? My husband, my kids and a cellphone. Is that cheating?

DO YOU HAVE A FAVORITE VACATION SPOT? This will sound corny, but it's wherever I can be with my family. This summer we took them abroad for the first time, to Costa Rica. They surfed, hiked in the rainforest, jumped off waterfalls, explored volcanoes … I can't think of anything I love more than introducing my boys to this big, beautiful world we live in.

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