

# Impact Investing or Philanthropy?

Engaging in impact investing or a philanthropic venture both reflect a commitment to values. Each may shape the future – but how do they differ?



## Impact Investing

Impact investing focuses on an investment strategy favoring companies that align with investor values.

**88%**

of public companies have ESG initiatives in place.<sup>1</sup>

## Philanthropy

Philanthropy directly supports non-profit organizations and other initiatives through donations.

Total U.S. nonprofit annual revenue is **\$2.62 trillion**<sup>2</sup>

## Profit & Purpose

Choosing between your portfolio and funding a cause can be difficult.



## Impact Investing

Impact investing seeks to invest in companies that align with specific environmental, social, political, ethical, or religious values. By supporting these companies, investors are looking to align their values with their portfolio strategies.<sup>3</sup>

Impact investing has been shown to increase profits by **9.1%**, on average, over the last three years.<sup>4</sup>

## Philanthropy

Philanthropy directly supports a cause that aligns with the values you and your family cherish. When making a gift, some individuals may also receive tax benefits, which can enhance the appeal.

**85%** of affluent households donate to some sort of charity. Why? Top of the list are personal satisfaction and having an emotional connection to a special cause or organization.<sup>5</sup>



## Gauging Impact by Generation

Performance data is an essential touchpoint for investors looking to evaluate their investments, even if that return isn't financial. Methods to gauge the success of both impact investments and philanthropy vary widely depending on the goal. Perhaps more telling is how different generations view these two similar paths to the same goal.



## Impact Investing

Some 61% of millennials said they participated in impact investing, compared to only one third of all investors.<sup>6</sup>

## Philanthropy

72% of baby boomers – those born between the Second World War and mid-1960s – said they prefer charitable giving over impact investing.<sup>7</sup>



As you can see, while Impact Investing and Philanthropy both aim for meaningful change, they do so in different ways and attract different investors.

**Contact your financial professional** for help deciding which method may be suitable for you.

### Sources

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