



# MAKE A SOCIAL IMPACT AND REAP THE REWARDS OF POSITIVE INVESTMENT

Social investment tax relief and social impact bonds are opening up opportunities for IFAs to make a positive impact while also delivering returns



**GAVIN FRANCIS**  
Worthstone

The social investment market is nascent but growing fast. According to the Global Impact Investors Network, 158 separate impact investing organisations committed a total of \$15.2 billion (£11.5 billion) to investments worldwide in 2015.

Expansion of ideas such as social investment tax relief (SITR) – where individuals can currently invest up to £1 million tax free – and social impact bonds are being eagerly discussed because they are innovations that signpost the UK as a world leader in this area. The government is currently looking at plans to offer fund managers grouping these investments together tax relief on up to £15 million of investments over three years.

SITR provides a compelling opportunity to bring thought-leading concepts together with fiscal incentives to investors and professional connections. Advisers say clients are more engaged when

discussing how capital can be used more intelligently to generate positive societal outcomes and financial returns. With the introduction of a tax relief, investors are provided with a government incentive to deploy capital in this way.

Until that moves forward, how can advisers help clients deliver both on financial and social goals?

## A separate strategy

Generally, we talk about social investment as the use of repayable capital to generate a positive social outcome. A classic understanding of finance is money can be deployed in one of two ways: in a traditional investment portfolio, where financial returns to the investor is the priority; or philanthropically, where others benefit and there is no financial return.

What is key to social investment is viewing it as a unique and separate strategy of capital deployment.

The objectives of social investment are varied, but it should provide a return on capital, for a start. The aim is to repay investors, either through the return of the initial capital investment or with additional income over and above the original capital amount.

This can be in the form of interest, dividend or internal rate of return.

Returns vary depending on the investment type, term and risk, much like traditional investments. But social investment must also solve a problem.

It provides capital to social enterprises and charities to actively solve social needs sustainably (by providing a financial return that facilitates further and increasing investment), measurably (by providing tangible results on investment) and definitively (by placing social impact at its core).

You need to ensure accountability between investor and enterprise. The responsibility to attract and return capital encourages the enterprise to ensure: good organisation of resources, clarification of financial and social objectives and effective management of the social organisation. This discipline promotes a business-like culture between investor and enterprise.

It is important for those implementing a social impact advice process to ensure they have an intuitive process to discover clients' social goals

Gavin Francis Worthstone

## Reinvest, returns, recycle

All this needs to be followed up by tracking and reporting on the actual social impact. Those receiving investment are obliged to monitor, measure, report and provide evidence for the impact of an investment. For the investor, information about their capital and its impact reinforces the connection between their wealth and their social goals.

Do all of this right and it should provide an opportunity to reinvest, generating further social impact and a return in a cycle that leverages the investor's resource. This entrepreneurial mindset is a highly effective way of making money go further.

It is important for those wanting to implement a social impact advice process to ensure they have an intuitive process to discover clients' social goals, to understand where your client wants to set the dial on any trade off of returns – if indeed there is a need to do this – and to gain access to resources that facilitate an understanding of the landscape of investment opportunities available.

Financial planning, wealth management and law firms, as well as fund managers, are all coming on board. The time for social investment has arrived and it is here to stay. ■

**Gavin Francis** is founder and director of Worthstone, a social impact investment resource for advisers

