

Engaging HNWIs and family offices for impact

Column from CFA Society Netherlands

Impact investing is no longer the domain of institutions alone. High-net-worth individuals and family offices now hold a pivotal position in shaping how capital can pursue both financial returns and societal change.

Impact investing involves making investments specifically aimed at generating positive, measurable social or environmental impacts alongside financial returns. For example, in 2016, a solar mini-grid project was launched across 100 villages in Kenya. With a \$ 12 million investment and an expected annual return of 7.2%, the project was designed to provide electricity to around 90,000 people, bringing reliable energy to communities that previously had limited access.

Impact investing differs from sustainable investing in terms of goals and outcomes. In the latter, the objective is to integrate ESG factors and manage ESG-related risks while achieving financial returns. To illustrate, investments in the iShares MSCI KLD 400 Social ETF and green bonds are considered sustainable investing. In 2024, the GIIN estimates that the total AUM for impact investing worldwide amount to \$ 1.57 trillion.

HNWIs and single family offices (SFOs) can play an influential role in impact investing, mainly due to their capital flexibility. Unlike institutional investors such as pension funds or insurers, HNWIs and SFOs typically do not face short-term liquidity constraints, strict benchmark tracking, or complex regulatory requirements.

A prominent example is Pierre Omidyar, founder of eBay, and his wife, Pam Omidyar. Through the Omidyar Network, established in 2004, they have committed more than \$ 1.5 billion to a combination of impact investments and philanthropic grants. The Omidyar Network operates with long investment horizons and is willing to invest in early-stage and high-risk ventures that

pursue social impact alongside financial sustainability.

Engaging HNWIs and SFOs in impact investing is not just a matter of capital availability, but also a question of thoughtful design, aligned incentives, and credibility. The following recommendations can help increase their participation:

- 1. Make impact investing investable, not just inspirational:** Many of them are motivated by values, but they typically allocate capital based on investability, not narratives alone. Engagement rises when impact opportunities are presented with the same rigor and transparency as traditional investments.
- 2. Offer differentiated risk–return–impact profiles:** This group is heterogeneous, and a single impact proposition rarely fits all of them. Engagement increases when given a choice from clearly defined impact options, each with its own risk, return, and impact profile.
- 3. Reduce complexity without reducing ambition:** This group may be open to complex investments if the complexity is managed on their behalf. Sharing both successes and lessons learned from fellow impact investors helps them understand the dynamics and potential of this market.
- 4. Connect impact investing to identity, legacy, and family values:** Investments that reflect an individual's personal or intergenerational goals resonate more strongly and can strengthen long-term engagement.
- 5. Align investments with liquidity and tax considerations:** Structuring impact investments to meet individual liquidity needs and optimize tax efficiency increases comfort and participation.
- 6. Provide visibility and ownership:** Assigning projects where investors can see tangible results or have a level of oversight improves engagement and a sense of impact.

In conclusion, involving more HNWIs and SFOs in impact investing requires moving beyond moral appeals toward credible investment opportunities. ■



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