



IMPACT INVESTING

GRANTMAKERS IN AGING GUIDE TO IMPACT INVESTING

**A Tool for Accelerating Healthy Aging
for All in Livable Communities**

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Grantmakers In Aging Guide to Impact Investing, published March 2023. We encourage readers to use and share the contents of this report, with the understanding that it is the intellectual property of Grantmakers In Aging, and that full attribution is required.

Grantmakers In Aging thanks the Archstone Foundation for its generous support of this Guide, as well as the many GIA members who informed its preparation through their shared impact investing models, experiences and interests. The Guide was prepared by Avivar Capital, an SEC-registered investment advisor focused exclusively on supporting institutions and families in the design and execution of impact strategies for social and/or environmental benefit as well as financial return. For further information, please contact Maria Gonzales Jackson, Director of Knowledge Management, mgonzalesjackson@giaging.org

ACKNOWLEDGMENTS

The Grantmakers In Aging (GIA) Guide to Impact Investing (GIA Guide) reviews the innovation and accomplishments of GIA members and like-minded investors in using impact investing to advance healthy aging, while setting out the potential for this strategy to further enhance members' work. The GIA Guide also serves as a primer for institutions interested in learning about how to design and implement an impact investing program.

We thank Christopher A. Langston and the Archstone Foundation for generously supporting the GIA Guide's production. We thank GIA members and partners for their time and perspective in interviews and conference presentations, including Lisa Hiller of Bader Philanthropies, Marsha Huff of Foley & Lardner LLP (retired), John Zapolski formerly of Alive Ventures, Shelley Lyford of Gary and Mary West Foundation, Sarita Mohanty of the SCAN Foundation, Eric Thai of the Snap Foundation, Trish Shannon of AARP Foundation, Elizabeth Sullivan of Margaret A. Cargill Philanthropies, Barbara Sullivan and Larry Toy of the Village to Village Network, Candace Robinson of Capital Impact Partners, Pablo Bravo and Edward Salvador of Common Spirit Health, Katherine Freund of ITN America, Stephen Gordon of Edenbridge Health, Amon Anderson of Acumen Fund and Peter Fitzgerald of the National PACE Association. GIA and Avivar Capital acknowledge the Wisconsin Philanthropy Network and Wisconsin Impact Investing Collaborative for their permission to adapt portions of the Wisconsin Guide to Impact Investing, prepared by Avivar Capital, for this GIA Guide.

INTRODUCTION

Grantmakers In Aging (GIA) commissioned the GIA Guide to Impact Investing (Guide) to support the organization and its membership to:

- » Understand the tool of impact investing as it continues to evolve and augment grantmaking in building inclusive communities and scaling services that support healthy aging for all.
- » Explore how impact investing can help to advance GIA's vision of inclusive communities through frameworks such as AARP's 8 Domains of Livability.¹
- » Lift up example impact investing activities by GIA members and others, to stimulate thinking about how members can better leverage their philanthropy with this additional tool.

In addition to advancing the use of impact investing among its members, GIA hopes that this Guide interests like-minded institutional investors as well as Community Development Financial Institutions (CDFIs) and similar values-driven funds in mobilizing capital to build livable communities that equitably serve residents of all ages, ability levels, incomes, races, ethnicities, and other backgrounds.²

The 8 Domains of Livability

The availability and quality of these community features impact the well-being of older adults — and help make communities more livable for people of all ages.

1. Outdoor Spaces and Buildings
2. Transportation
3. Housing
4. Social Participation
5. Respect and Social Inclusion
6. Work and Civic Engagement
7. Communication and Information
8. Community and Health Services

AARP

AARPOrg/Livable

Foundations, corporations and socially motivated organizations possess significant capital for unlocking opportunity and addressing challenges.

The GIA Guide and broader GIA efforts aim to make it easier for investors of any size, structure or focus to target some or all of their investments to create livable communities for all.

UNDERSTANDING IMPACT INVESTING

Impact investing is defined as investing into companies, organizations, and funds with the intention to generate measurable social and environmental impact alongside a financial return.³

Given that impact investments are expected to repay and recycle capital, their dollar amounts are typically much larger than grants. This enables investee organizations to accelerate and scale their activities.

Impact investments also often leverage or attract co-investment. The recycling and leveraging of capital vastly amplify the financial resources that funders and like-minded institutions can deploy to build communities that support healthy aging for all.

IMPACT INVESTING VERSUS GRANTS

Not all needs of older adults and their communities can translate into feasible impact investment opportunities. Impact investment must have both mission fit and repayment capacity:

- » **Mission Fit.** Like grants, impact investments require an impact thesis or case for “mission fit” that sets out how the investment advances the investor’s mission or values.
- » **Repayment Capacity.** Unlike grants, impact investments also require an investment thesis or demonstration of repayment capacity. Typically,

this includes both return of investment principal and return on principal (return on investment or ROI).

- » **Repayment Sources.** Primary repayment sources typically include predictable cash flows (such as earned revenues, reimbursements for care or pledged future grants); savings (such as lower occupancy costs after energy efficiency upgrades); refinancing (such as when a construction loan is refinanced by a permanent mortgage); or capital appreciation (such as when a social enterprise distributes earnings or increased share value to investors). Impact investments can also have secondary sources of repayment, such as loan guarantees or collateral.

A CRITICAL MOMENT TO ACCELERATE CHANGE

Impact investing can accelerate GIA's vision of a just and inclusive world where all people are fully valued, recognized, and engaged at all ages.

The older adult population is highly diverse and rapidly growing, with differences in age cohort, health status, household income, marital status, living situation (including caregiving responsibility for spouses, grandchildren, or others), gender, geography, race, ethnicity, and culture.

Demographic shifts will generate opportunities, as well as heighten need among older adults, creating an imperative to ensure that all older adults have access to the resources they need to live healthy and dignified lives.⁴

Growth in the older adult population also brings increasing economic significance and the opportunity to reframe limiting narratives that see older adults as a drain on resources.⁵

A 2019 AARP study found the economic contributions of Americans 50 and older (50+) totaled \$8.3 trillion in 2018, projected to grow to \$28.2 trillion by 2050.⁶

- » From a gross domestic product (GDP) standpoint, this would make the U.S. 50+ population the world's third-largest economy — just behind the U.S. and China.
- » Fifty-six cents (\$0.56) per \$1 spent in the U.S. in 2018 came from someone 50+ — projected to be \$0.61 by 2050.
- » Economic contribution comes from spending, taxes, and the value of unpaid activities including adult caregiving, child care and volunteering time to support charities.

» The jobs older adults hold and the jobs they create through their spending support 44% of the U.S. workforce.

» Adults ages 55 to 64 comprised roughly 25% of new entrepreneurs in 2018, the highest share of any age group.

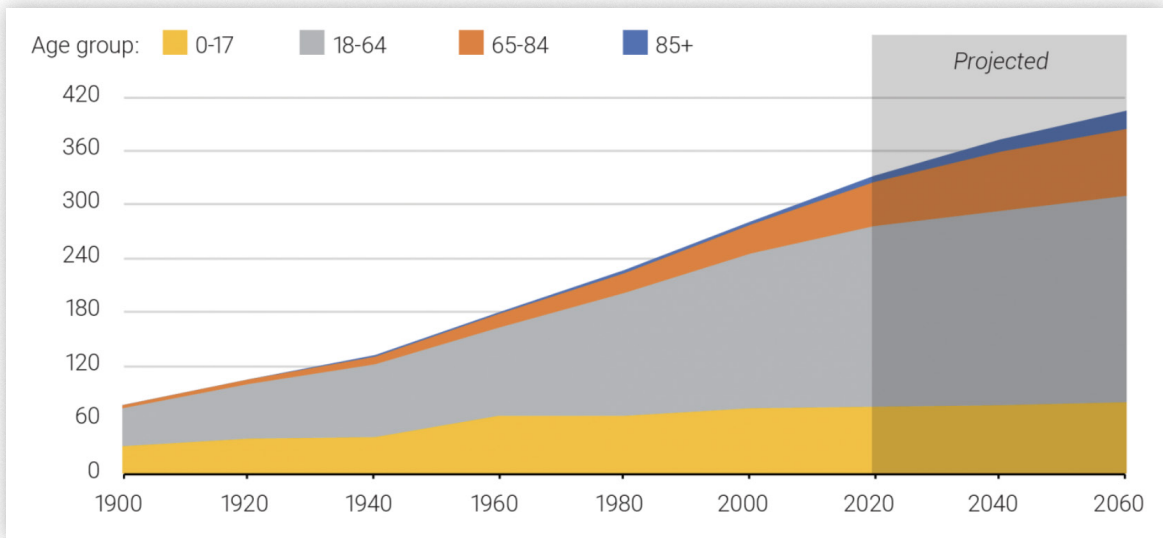


FIGURE 1. US POPULATION BY AGE GROUP (MILLIONS) 1900-2060
Source: U.S. Census Bureau

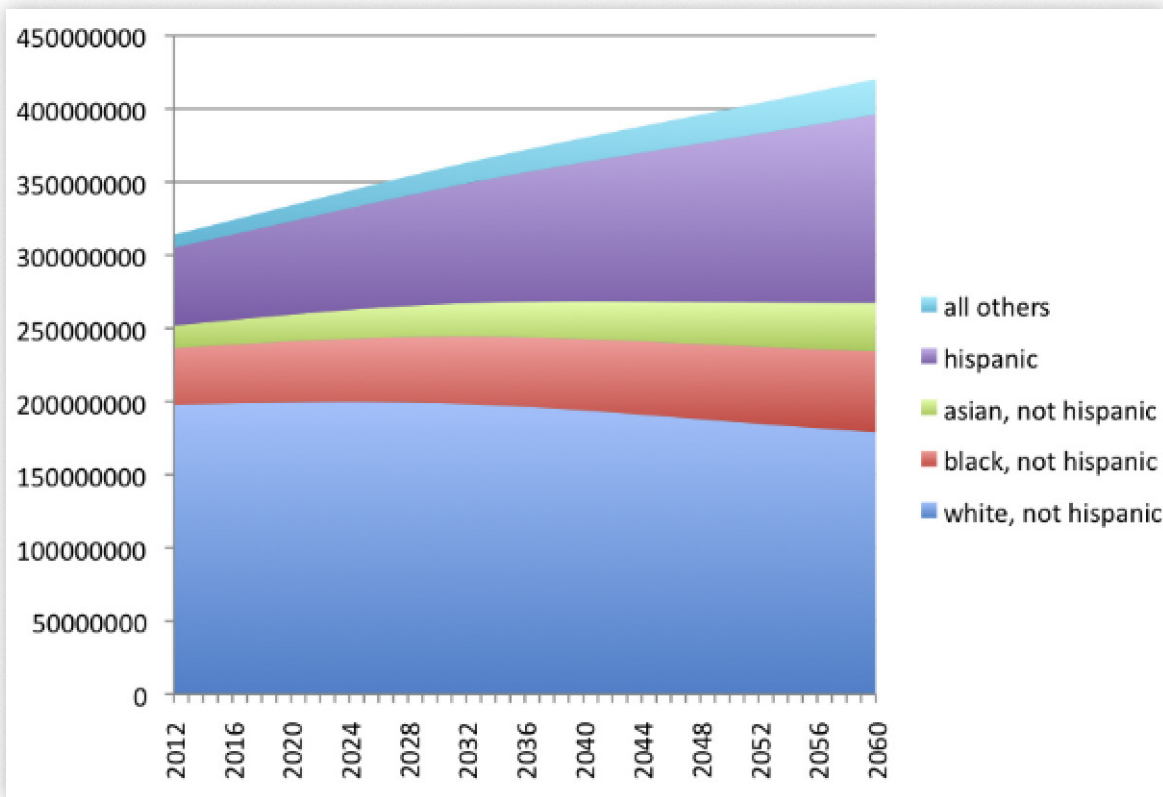


FIGURE 2. US POPULATION BY RACE & ETHNICITY 2012-2060
Source: U.S. Census Bureau

- » Although the 50+ population has outsized spending power, consumer products have often lacked age-friendly features. This is changing, creating significant impact investment opportunity in new and updated age-friendly tech and other products and services.

Despite these promising developments, as adults age, too often they are burdened by the cumulative effects of systemic barriers to opportunity in their lifetimes. Nearly half — 50% — of older Black and Hispanic adults (65+) have family incomes below 200% of poverty — nearly 2x the rate among older white adults.⁷

- » The share of Black and Hispanic adults with family income below poverty is higher based on the Supplemental Poverty Measure (SPM) rather than the official poverty measure. Based on the SPM, 63% of older Black adults and 68% of older Hispanic adults have incomes below 200% of the federal poverty level, compared to 39% of older white adults.⁸
- » Affordable housing shortages are acute for both middle-income and low-income older adults.

Impact investment can catalyze capital at the scale needed to take on systemic barriers to opportunity for older adults, both within communities and nationally.

- » Food and transit deserts can make it challenging for older adults to fully meet their health and social needs, particularly in low-income communities, communities of color and rural areas.

The need for expanded solutions is urgent:

- » In 2018, adults in the U.S who reached age 65 were expected to live an additional 19.5 years on average — a 5-year gain in life expectancy since Medicare’s 1960 launch. In recent years, life expectancy has declined across white, Black and Hispanic populations. Greater declines among Black and Hispanic versus white populations narrowed the so-called Hispanic advantage in life expectancy over the white population.
- » COVID took a disproportionate toll on Hispanic life expectancy. This has been attributed in part to lower rates of health insurance than Black and white populations, frontline employment and likelihood of living in multi-generational households that can facilitate disease spread.⁹
- » Life expectancy remained higher for women than men across all three groups.¹⁰

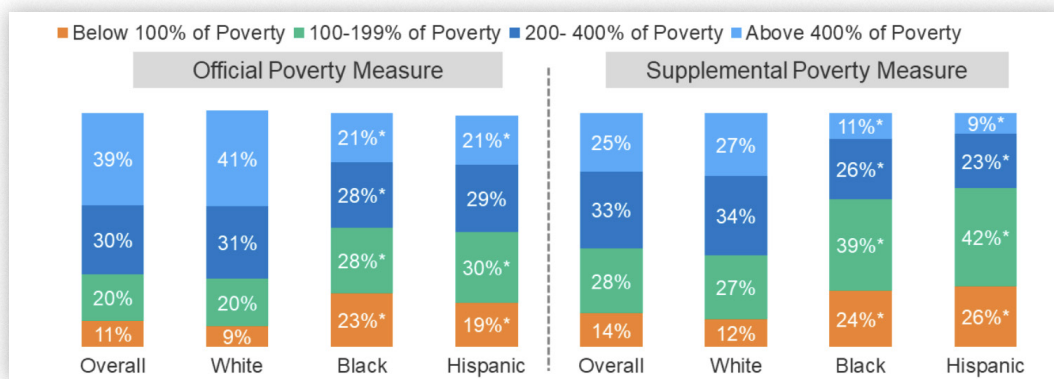



FIGURE 3. POVERTY RATES OF ADULTS 65+ BY RACE
 Source: KFF analysis of Current Population Survey, 2018-2020 Annual Social and Economic Supplement



Impact investing can both target capital to address older adult needs and help to create lifetime conditions of health equity. Impact investors typically place high importance on tracking the social as well as financial performance of their impact investments, allowing for continuous learning and refined strategies over time.

Impact investors increasingly tie their impact goals to the U.N. Sustainable Development Goals (SDGs)¹¹ and track performance with the Impact Reporting and Investing Standards (IRIS) metrics developed by the Global Impact Investing Network.¹² Many impact investors also use the Impact Management Project framework¹³ to classify their social impact on the ABC scale of whether it Acts to Avoid Harm, Benefits Stakeholders or Contributes to Solutions.

General guidelines for tracking social metrics include:

1. Impact themes being measured should be aligned to the investor's programmatic priorities and/or values.
2. The impact measurement process should be user-friendly for investees and investors, scalable across a variety of deal types, and conducive for rolling up social metrics reporting across an investment portfolio.
3. The social metrics protocol should be consistent with emerging industry systems and practices.

INVESTING FOR HEALTHY OLDER ADULTS & COMMUNITIES

Impact investing is a tested tool for both financing the innovation to better serve the growing population of older adults as well as addressing systemic issues that perpetuate disparity:

- » There is a rich landscape of impact investments that GIA members and like-minded investors are advancing to address the opportunities and challenges of all older adults.
- » The rapidly increasing population of older adults — with steep increases among those with the greatest health and economic challenges — heightens the importance of targeting impact investments to address acute needs.
- » Fortunately, there are many tested approaches for such targeting, which can represent some or all of any impact investment portfolio.

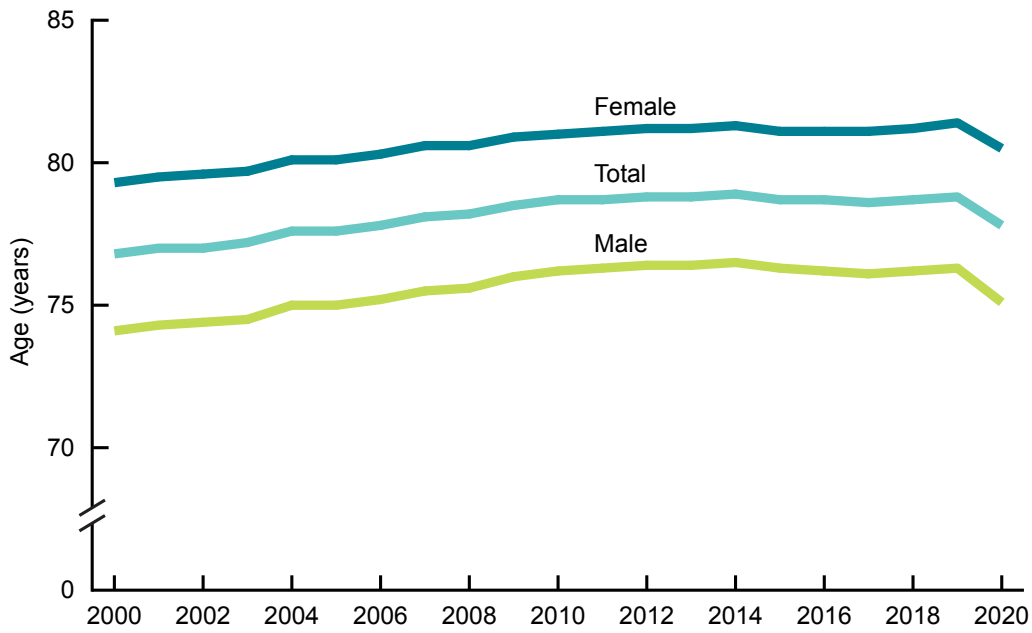


FIGURE 4A. LIFE EXPECTANCY AT BIRTH BY SEX: UNITED STATES, 2000-2020

Source: National Center for Health Statistics, National Vital Statistics System, Mortality data

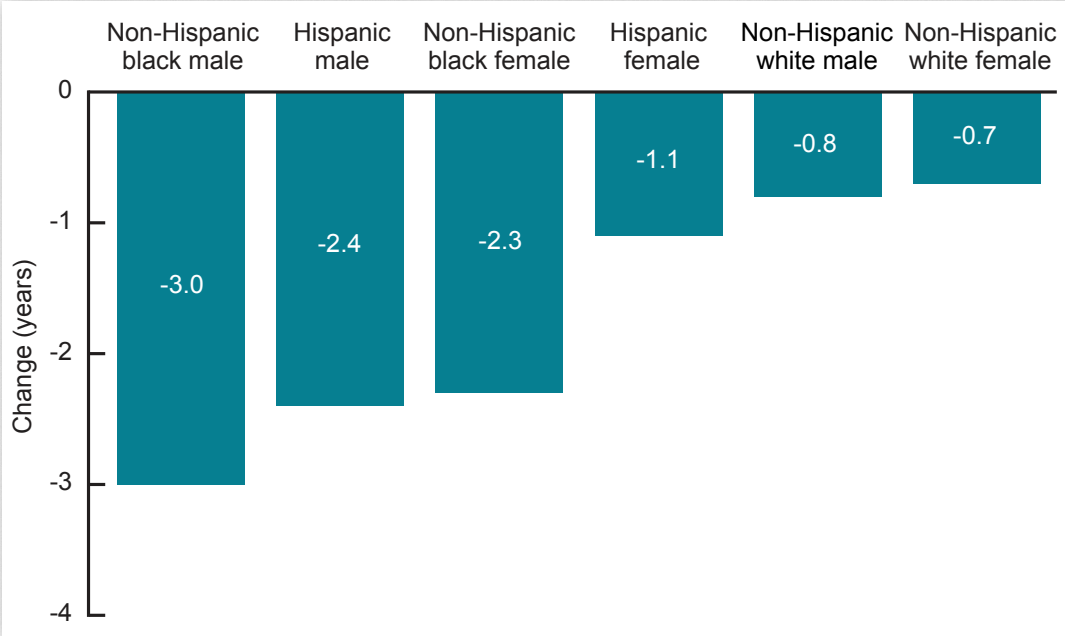
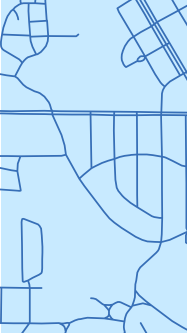


FIGURE 4B. CHANGE IN LIFE EXPECTANCY AT BIRTH BY HISPANIC ORIGIN, RACE & SEX: UNITED STATES, 2019 & 2020

Source: National Center for Health Statistics, National Vital Statistics System, Mortality data




Following are example investment criteria or principles that GIA member/investors can adapt as they consider how impact investing can best enhance their philanthropic results.

AGE-FRIENDLY & LIVABLE COMMUNITY INVESTING GUIDING PRINCIPLES

Guiding principles for impact investors seeking to promote healthy aging in livable communities:

- » **Impact Thesis.** Define social and/or environmental objectives and reporting — whether place-based (seeking multiple impacts within a geography) and/or theme-based (i.e., advancing a priority such as older adult-friendly workplaces nationally).
- » **Investment Thesis.** Confirm repayment capacity, to contribute to the track record of impact investing in sparking age-friendly, livable communities.
- » **Aligned Structure.** Structure investments to achieve impact, including flexible terms if needed for social as well as financial performance.
- » **Equitable Process & Outcomes.** Engage stakeholders in the design process, to target and optimize benefits while avoiding unintended harm.
- » **Innovation.** Design to meet the evolving needs of all adults as they age and engage via fulfilling work, family and social lives. This includes grandfamilies and other intergenerational activities.
- » **Leverage.** Attract co-investors and other strategic allies such as capacity building partners that advise investees on how to qualify for and repay investments.
- » **Field Learning & Scaling.** Share “best practices” and “lessons learned” to expand age-friendly and livable community investing.



Like many impact investors, GIA members have taken up the practice of impact investing to augment the progress they can make on priority issues through grantmaking alone. This is true however crucial and effective a grantmaking strategy may be. At the same time, impact investors caution that investments are not a substitute for grants. Daniel J. Bader, President/CEO of Bader Philanthropies exemplifies this view in concluding that “grants can only take us so far”.... grants “can fund research, public policy, training programs, placement programs, barrier reduction and demonstration projects. Grants can’t create private sector jobs or build wealth...”

Impact investors caution that investments are not a substitute for grants, yet many have concluded that grants alone are insufficient to drive the scale or pace of change they seek.

Foundations, corporations and socially motivated organizations possess significant capital for unlocking opportunity and addressing challenges. GIA invites all investors to explore how impact investing can complement and amplify their grantmaking in improving the lives of older adults.

To this end, the GIA Guide sets out key impact investing definitions, trends, practices and support services, along with examples of how GIA members and others are using the practice.

The GIA Guide and broader GIA impact investing educational efforts aim to make it easier for investors of any size, structure or focus to target some or all of their investments to promoting healthy aging in livable places for all. We invite you to visit [Grantmakers In Aging](#) to follow these developments and [join our contact list](#) for updates on healthy aging-related impact investing news and resources.

METHODOLOGY

The GIA Guide was prepared by Avivar Capital, an SEC-registered investment advisor focused exclusively on supporting investors in the design and execution of impact investing strategies for social benefit alongside financial return. Avivar's research methodology included interviews with healthy aging-focused impact investors, supplemented by an extensive literature scan and review of impact investments and impact investing strategies that promote healthy aging.



Photo by Daniele Franco on Unsplash

SECTION I: IMPACT INVESTING OVERVIEW

The field today known as “impact investing” has developed over more than five decades. In recent years, it has rapidly gained traction as a prudent investment strategy as well as a lever for social change. As a

result, trustees and fiduciaries of foundations, endowments, corporations, organizations, and families are increasingly asking whether and how to apply impact investing and broader social investing techniques to advance their missions and values.

In launching—or expanding—an impact investing strategy, key decisions include:

- » What social and/or environmental values to prioritize?
- » What investment opportunities to target, given the investor’s priority issue areas and/or geography?
- » What risk-return preferences to apply?
- » Whether to dedicate a “carve-out” to drive social impact or align all institutional assets to mission and values over time (in practice, all impact investing strategies are typically implemented over time)?
- » How to get started.

Experience among impact investors over the decades illustrates that impact investing is not a “one size fits all” approach. There are many ways to both start and advance an impact investing strategy. Each investor brings different priorities and can determine a customized course of action. The following sections summarize definitions and other helpful background.

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DEFINITIONS

Those considering impact investing or the broader category of social investing soon encounter a new lexicon of terms. Understanding these terms is helpful in deciding how to proceed. A full glossary¹⁴ of impact investing and financial terms is available in Section VII., Resources.

Impact Investing. Investing with the intention to generate positive, measurable social and environmental impact alongside a financial return.¹⁵ In order to target intended social or environmental impact, impact investments are often private market transactions (versus publicly traded transactions in a stock or bond market).

Social Investing. An umbrella term that refers to incorporating social criteria into the investment decision-making process. Social criteria are often understood to include environmental as well as other social considerations.

Program-Related Investing (PRI). A regulatory term and category of charitable investment defined for private foundations in the Tax Code of 1969 as investments for which 1) the primary purpose is charitable; 2) no significant purpose is the generation of income or appreciation of property, and 3) no purpose is influencing legislation or taking part in political campaigns on behalf of candidates.¹⁶ Private foundations have the option to count qualifying PRIs toward their mandatory charitable distribution requirements, among other benefits. *Community foundations and other investors often adapt the term “PRI” to refer to investments in which they invest on concessionary terms in order to drive charitable purpose.*

Mission-Related Investing (MRI). A term of art that refers to investments for which the investor seeks a market- or near market-rate of risk-adjusted financial return, while also seeking a double or triple bottom line of social and/or environmental benefit.

Sustainable and Responsible Impact Investing (SRI). The acronym “SRI” today refers to Sustainable and Responsible Impact Investing—a set of techniques through which investors incorporate social and/or environmental criteria into investment decision-making (Figure 5).¹⁷ The original such technique was the screening out or exclusion of holdings of publicly traded companies with operations an investor viewed as harmful to society and/or the environment. Over time, SRI techniques have expanded to now include *screening in* or *inclusion* of companies considered “best in class” on environmental, social and governance (ESG) criteria;¹⁸ screening of entire portfolios on material ESG factors (ESG integration); and sustainability-themed investing (see below).

Sustainability-Themed Investing. Investment strategies that promote sustainability in one or more forms. Typically, this refers to environmental sustainability (as in a portfolio of stocks in companies with a low carbon footprint), but the term is also used to describe a focus on long-term strategies that address a range of human, community and global challenges.

Shareholder Engagement. Voting proxies and otherwise engaging with management of publicly traded companies to motivate responsible ESG practices.¹⁹



IMPACT INVESTOR TYPES

Today's impact investors include foundations, faith-based organizations, health systems, banks fulfilling the federal Community Reinvestment Act,²⁰ pension funds, insurance companies, corporations, wealth managers, and individuals who seek social and environmental benefits along with financial returns on investments. Government is a partner through complementary grants, technical assistance programs and credit enhancement or loss protection. This includes loan guarantees, insurance and/or tax incentives that reduce private investment risk to mobilize private capital.

INVESTOR MOTIVATION

For foundations, the initial goal of impact investing is typically to enhance mission and programmatic goals. To this end, foundations often make impact investments in tandem with grants. Impact investing also allows dedicating a greater share of foundation assets to mission, and recycling of charitable resources when investments repay. A foundation's impact investment often allows the investee to demonstrate repayment capacity, triggering both access to additional capital from other investors and leverage for the foundation's early support.

For example, the Gary and Mary West Foundation's PRI loan to Civica Rx leveraged co-investment from the Peterson Center on Healthcare and Arnold Ventures as well as seven large healthcare systems.

It further helped to attract a \$100 million grant from the U.S. Department of Health and Human Services to build a Virginia-based pharmaceutical manufacturing plant that will create generic medications to contribute to national stockpiles for the treatment of COVID-19 and future public health emergency responses.²¹

Foundations that practice SRI-ESG investing typically seek to ensure that their assets are aligned and not working at cross-purposes with their mission, values or grants strategy. For example, many health-focused foundations exclude investments in tobacco companies from their investment portfolios. SRI-ESG strategies are also increasingly seen as having the potential to incentivize more responsible corporate practices. A company may take on responsible labor practices including a safe workplace, leading to higher staff retention and fewer adverse regulatory or legal consequences. This has the potential to enhance profits and ultimately stock price.²²

In recent years, impact investors have increasingly questioned how they can align greater shares of their assets with mission and values. Some have committed to aligning 100% of their assets with mission. Others are both seeking investment advisors and asset managers with greater ethnic and gender diversity and urging their current managers to increase their diversity in meaningful ways.²³

Impact investors are also continuing to innovate structures and approaches, ranging from pay for success²⁴ transactions that focus on increasing measurable improvements in how government can provide social services, to accelerators and venture studios that marry access to capital with business development services for emerging entrepreneurs.

RISK-RETURN EXPECTATIONS

Impact investments can be made across a range of risk-adjusted expected financial returns and in any asset class (investment structure) across the spectrum of risk including cash, loans, fixed

income securities, guarantees, public equities and alternatives (in the investing context, “alternatives” refers to an asset class including private equity and venture capital; see Figure 6 and further discussion on page 37).²⁵ Impact investments, including foundation PRIs and MRIs, are generally private market investments, while SRI-ESG investments are typically publicly traded securities. PRIs carry greater risk and/or lower risk-adjusted expected financial returns than conventional, market-rate investments in order to facilitate charitable outcomes that could not happen “but for” the flexible terms. MRIs and publicly traded SRI-ESG investments target market-rates of return with social and/or environmental benefits.

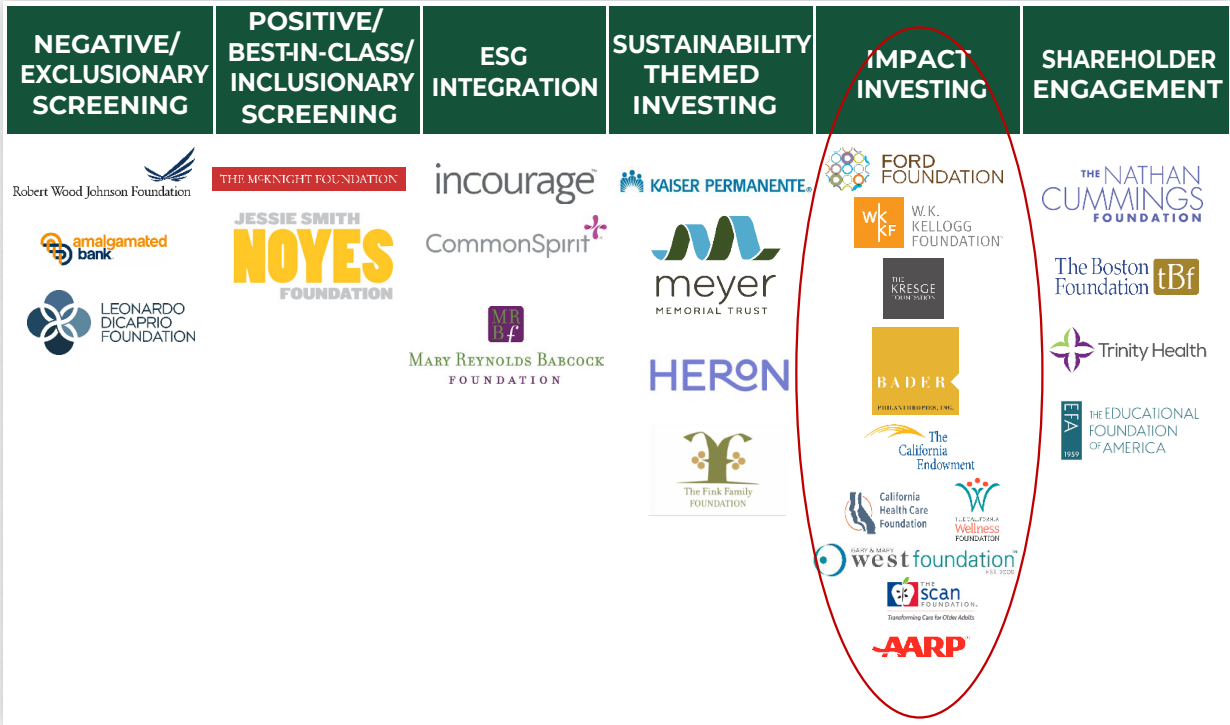


FIGURE 5. SUSTAINABLE AND RESPONSIBLE INVESTMENT TECHNIQUES

Foundations often refer to the range of these techniques as mission investing, while those who apply the methods in particular geographies may refer to them as community or place-based impact investing.

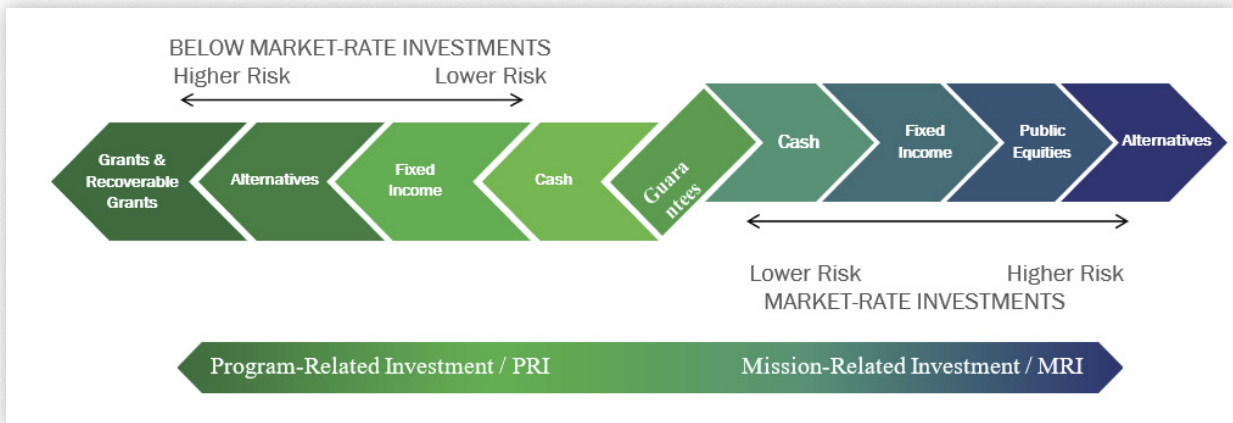


FIGURE 6: CONTINUUM OF IMPACT INVESTING ASSET CLASSES²⁶

TAPPING THE BUSINESS CASE FOR MANAGER DIVERSITY

In a nation where people of color are expected to comprise the majority by 2050, impact and SRI-ESG investors are increasingly seeking investment advisors and asset managers that reflect the diversity of the communities in which they invest:

- » With research from [Harvard Business School](#) and elsewhere validating the superior potential financial returns of incorporating diverse perspectives into investment decision-making, this is a business decision as well as a moral and philosophical commitment to Diversity, Equity and Inclusion (DEI).
- » It also begins to address the long-standing challenges that diverse managers of color have faced in raising capital, despite often generating competitive investment returns. A 2017 Government Accountability Office (GAO) [report](#) found that women and people of color manage less than 1% of U.S. investment assets under management, although they represent some 70% of the population. Progress has begun, but there remains much to do.
- » A number of large, national impact investors have mounted diverse manager funds and [strategies](#), including Knight, Ford (in partnership with [Fairview Capital](#)), WK Kellogg, Kresge, Robert Wood Johnson Foundation, Prudential, and Surdna. Investment advisors are assisting investors in incorporating diverse managers into their investment strategies. Experience is bearing out the research suggesting that further diversifying investment professionals has the potential to produce excellent financial returns.



MEASURING IMPACT

Embedded in the definition of impact investing is the intention to “generate positive, measurable social and environmental impact alongside a financial return.” Measuring social impact is a discipline that is evolving as investors gain experience. Efforts to standardize methods increasingly focus on measuring impact with respect to the 17 United Nations Sustainable Development Goals²⁷ (Figure 7) and the IRIS metrics, a comprehensive catalog of social impact measures managed by the Global Impact Investing Network (GIIN)²⁸. The international, widely supported Impact Management Project further suggests that investors frame their impact in terms of A-B-C, Acting to Avoid Harm; Benefitting Stakeholders and Contributing to Solutions.²⁹

TRENDS

Both impact investing and the broader field of SRI-ESG investing are continuing to gain traction while also establishing track records of performance.

The Global Impact Investing Network’s 2020 annual survey found that 279 major fund managers, foundations, banks, pension funds, family offices and development finance institutions reported \$404 billion in impact investments under management (investment holdings that survey respondents oversee), as well as \$47 billion in 9,807 new impact investments in 2019. The 166 repeat respondents planned to invest \$48 billion in 12,534 investments in 2020, representing increases of 2% in the dollar volume and 12% in the number of new impact investments.³⁰

Among these global investors, a vast majority report that their impact investments meet or exceed their expectations for both impact (99%) and financial

performance (88%). Two-thirds of respondents target risk-adjusted, market rates of return (67%), while the balance target returns closer to market (18%) or capital preservation (15%). Sixty percent (60%) of respondents target both social and environmental impact and 73% track their impact with reference to at least one U.N. SDG. Some 75% target impact of “decent work and economic growth” (SDG 8), while, on average, respondents target impact along a mix of eight different SDGs.³¹

The broader practice of social investing also continues to rapidly gain traction (Figure 8). Sustainable and responsible impact investing (SRI) assets have expanded to \$17.1 trillion in the United States, up 42% from \$12.0 trillion in 2018.

This represents 33%, or one in three dollars, of the \$51.4 trillion in total US assets under professional management.³² The Forum for Sustainable and Responsible Investment (USSIF) has curated numerous industry reports indicating that SRI investors do not have to trade financial return for alignment with values.³³



FIGURE 7. SUSTAINABLE DEVELOPMENT GOALS
 Source: United Nations Department of Economic and Social Affairs

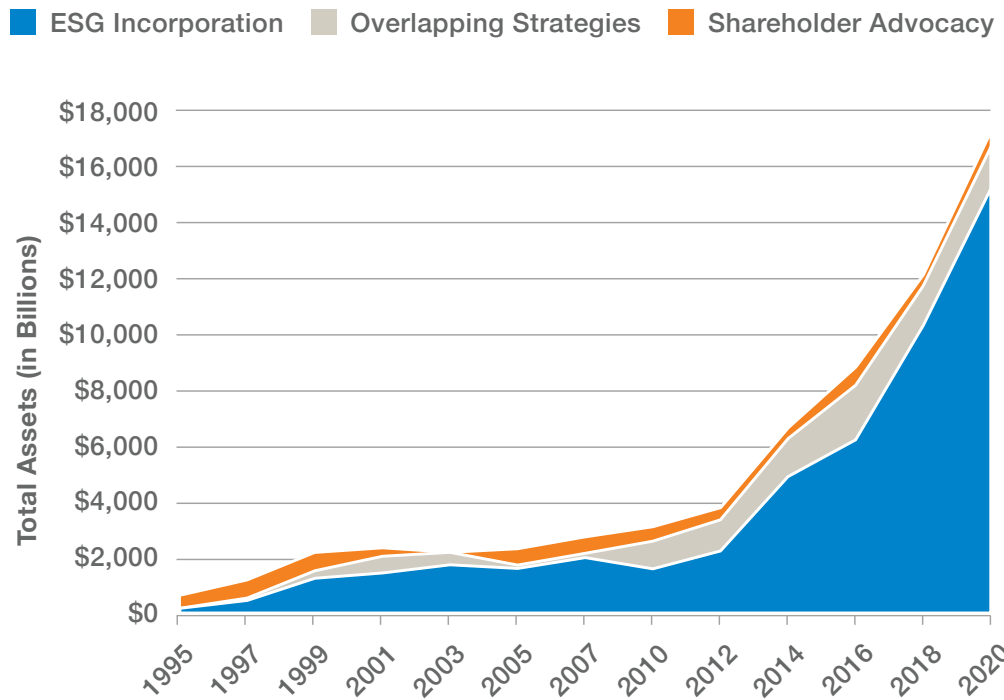


FIGURE 8: THE FORUM FOR SUSTAINABLE AND RESPONSIBLE INVESTMENT, REPORT ON US SUSTAINABLE AND IMPACT INVESTING TRENDS



Photo by Vladimir Soares on Unsplash



SUCCESS FACTORS

Experienced impact investors agree that there is no one right way to begin or to carry out impact investing. Important first steps often include learning from trusted peers why and how they have begun impact investing programs. Next steps often include creating a committed internal committee to explore and hopefully champion the potential of an impact investing program, including priority geography, programmatic themes and/or values, and risk-return preferences.

Most impact investing programs begin modestly and grow over time as the investor gains familiarity and comfort with the range of investment options. This process often leads investors to seek ways to align greater shares of their assets with mission — up to 100% in an increasing number of cases. National and global impact investing associations are a source of continuing education for many impact investors, as well as referrals to investment advisors who specialize in impact and SRI-ESG investing (see Section VII., Resources). Regional associations such as the [New Mexico Impact Investing Collaborative](#) and the [Council of Michigan Foundations Impact Investing](#) initiative are also emerging to support investors within a state or larger region in shared learning and enhanced regional impact and efficiency through co-investment.

RISKS AND MITIGATION

Impact investing is a rigorous discipline that adds social and environmental considerations to the traditional investment process rather than relaxing the rigor of that process. Thus, while impact investing carries risk, including investment risk (potential loss of investment principal and/or returns) and reputational risk (should certain visible investments not perform as expected), skilled impact investment professionals mitigate these risks through both traditional and non-traditional means. Traditional means include but are not limited to incorporating the full range of credit enhancement (loss protection) into investment structures. Non-traditional means include cultivating a network, known in the field as an “entrepreneurial ecosystem,” that provides capacity-building and ongoing support to emerging businesses and organizations that receive impact investment.

SECTION II: DESIGNING AN IMPACT INVESTING STRATEGY

Impact investing offers funders and other institutions the opportunity to create customized investment strategies for advancing their missions and values. As GIA members' experience illustrates, there are multiple entry points for constructing an impact investing strategy, and no two investors proceed in exactly the same way.

Impact investing offers foundations, health systems and other institutions the opportunity to create customized investment strategies for advancing their missions and values.

Avivar Capital has found it helpful for investors to think of impact investing strategy in a life cycle framework of four stages: Planning; Policy; Process & Procedures; and Portfolio Management. This reflects the issues and tasks investors typically take on in moving from idea to action on impact investing. Designed to encourage learning throughout the impact investing process, the life cycle complements an investor's broader philanthropic, social and/or environmental strategy and adapts as that strategy evolves (Figure 9). It also accommodates the building of an impact investing strategy over time, as an investor learns about and gains comfort with the range of opportunities that can fit its risk-return preferences, as well as considers whether and how to engage with co-investors and other strategic partners.

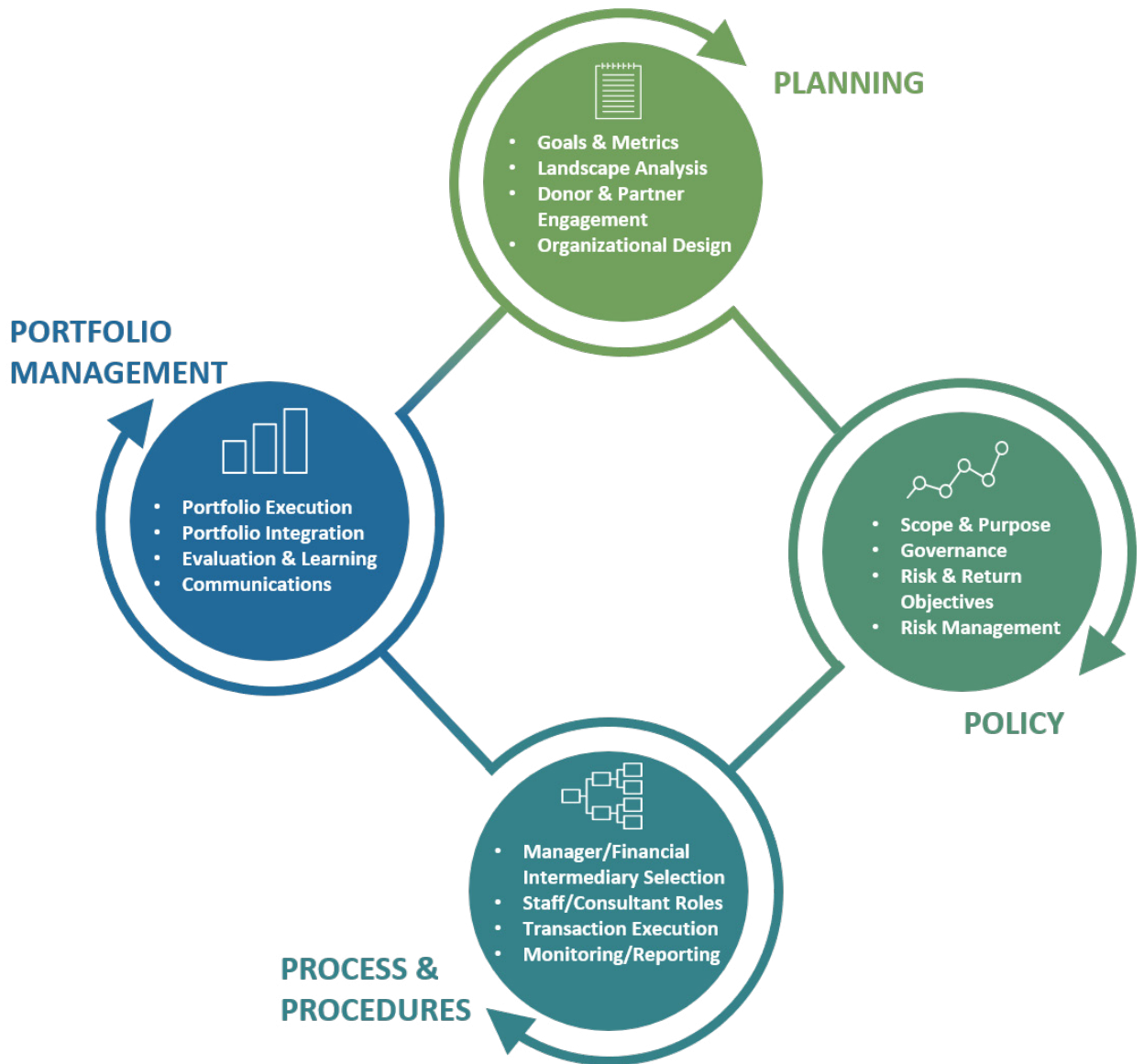


FIGURE 9: Avivar Capital, www.avivarcapital.com



PLANNING STAGE

Many impact investors get started in response to a time-sensitive investment opportunity, such as a community group's opportunity to gain site control for a local development project or a grantee's need for an emergency loan. An increasing number, however, begin with a formal planning process. This is often led by an internal committee created to explore the potential for impact investing (Impact Investing Committee), which has representation from the program and finance sides of the institution. In some cases, the entire board of directors participates in this process. In others, the committee may include donors and local investment professionals.

While steps may proceed concurrently, the planning process typically begins with education, such as a board meeting or series of meetings where fiduciaries learn what impact investing is and how it might provide benefits for their institution, given institutional size, geography, mission and program priorities, investment risk-return preferences and preferred ways of carrying out the investment function.

Assuming there is interest in further exploration, a process begins of setting high-level goals and metrics for an impact investing strategy, followed by a landscape scan of relevant investment opportunities and potential partnerships.

BUILDING AN IMPACT INVESTMENT PIPELINE

The landscape scan typically looks to build a pipeline of feasible impact investment opportunities aligned with the impact investor's goals. It typically begins with identifying the type of impact the investor

IMPACT INVESTING KEY QUESTIONS

To create an impact investing strategy and deal pipeline, impact investing practitioners frequently ask:

- » What problem are we trying to solve?
- » What kind of capital is needed?
- » How do we best recruit, structure and deliver that capital to drive solutions?
- » How can we advance equitable and sustainable solutions?
- » What partners can ensure, measure and report on success?

is trying to generate, the type of capital needed to generate that impact and best way to recruit and deliver that capital (see Key Questions, sidebar).

Feasible opportunities satisfy both an impact and an investment thesis. The impact thesis sets out how the investment advances the investor's mission, programmatic or social goals. The investment thesis sets out how the investment will repay, including both return of principal (return of capital) and return on principal (return on investment or ROI).

Repayment sources can include predictable revenues, reliably pledged grants, future savings, reliable refinancing (as in a construction loan that is refinanced or "taken out" by a mortgage), growth in earnings (as by a for-profit company that may pay dividends) and/or a liquidity event (cash generating event such as purchase of the company or an initial public offering — IPO — that can generate cash to repay the early stage equity owners). In addition to these primary repayment sources, many debt impact investments (loans) have secondary repayment sources that can be tapped if the borrower does not perform as agreed. These include collateral (which can be liquidated to repay the debt) and/or loan guarantees.



CULTIVATING AN ENTREPRENEURIAL ECOSYSTEM

Impact investors typically seek to address systemic issues or problems that are not being fully addressed through conventional capital markets or government operations. As such, they take on complex issues that seldom can be resolved through financing by itself. In addition to building a pipeline of feasible impact investments, the landscape scan therefore typically also looks to identify regional co-investors and other partners with whom the investor can collaborate to build a strong marketplace for impact investing. The resulting network is often called the entrepreneurial ecosystem.

Critical partners in this ecosystem include government agencies that provide technical assistance and credit enhancement; financing intermediaries (which typically provide technical assistance along with financing); dedicated technical assistance providers such as business consultants; professional advisors such as attorneys and accountants; and a range of other organizations who may operate local and/or virtual hubs, accelerators and venture studios that combine many services to enhance the odds of success among both for-profit and nonprofit investees.

As a potential impact investing strategy and pipeline take shape, the investor is typically planning for next stages in the impact investing life cycle, including how to codify the strategy in an investment policy statement or guidelines and how to develop processes and procedures for executing the range of investment functions (see Sections III, Impact Investment Policy & Governance, and IV, Process & Procedures). Often the investor will make one or more early impact investments as all of these stages proceed.



GETTING STARTED

Foundation impact investors typically build their initial impact investing strategies around one of two potential approaches. Many build these strategies around their grant programs, using impact investing to amplify or sustain and/or scale the results they can achieve through grants. These institutions often focus on program-related investing (PRIs) or loans and investments that accept a higher risk level and/or lower expected financial return than conventional investments in order to drive charitable purpose.

Other institutions may build their impact investing strategies by enhancing their traditional asset allocation (allocation of investment dollars targeting market-rates of financial return across different asset classes or investment types, i.e. cash, bonds, stocks and alternatives) by making impact investments across these asset classes. Here the institutions seek impact investments and/or ESG-screened publicly traded securities that meet traditional financial return benchmarks. Various GIA members use each of these approaches, sometimes using both in tandem over time.

BUILDING AN IMPACT INVESTING STRATEGY AROUND THE 8+ DOMAINS OF LIVABILITY

For many GIA members, the desired social impact will be place-based goals focused on building livable communities designed in alignment with AARP's 8 Domains of Livability (Figures 10 – 11; for purposes of this report, Avivar proposes an additional, 8+ domain that elevates protecting the security of older adults).

Many of the AARP domains lend themselves to impact investing because they are associated with predictable cash flows that can repay impact investments. Housing, for example, generates cash flows from rent or home sales that can repay loans to housing developers for building or rehabbing that housing.

Other domains, such as Respect and Social Inclusion, are less directly associated with cash flows that could repay an impact investment. These domains remain relevant to an impact investing strategy for two reasons: 1) they represent approaches that can be built into all domains; 2) they are areas for ongoing innovation in products and services. Thus a GIA member might provide capital to a small business lending program whose borrowers use inclusive hiring practices that value the contributions and accommodate the needs of older adult hires, prioritizing a value of Respect and Social Inclusion.

The following sections explore both the 1) grant-amplifying, PRI, and 2) market-rate, asset allocation approaches to building an impact investment portfolio to drive the 8+ Domains of Livability.

First, we look at how a foundation can amplify healthy aging-related grantmaking through an impact investing portfolio in catalytic, PRI investments that advance key Domains of Livability themes of Housing, Health & Human Services and Civic Participation & Employment. We review selected additional investments across the remaining domains in an aggregated category we are calling Livable Communities Infrastructure. Also necessary for livable places, it includes sectors such as financial services, broadband, transportation, and parks.

Second, we look at how a foundation can incorporate the same healthy aging and livability themes into a standard investment portfolio with an asset class allocation designed to seek market-rates of financial return (see page 39-40 and the Summary Chart in Figure 12).

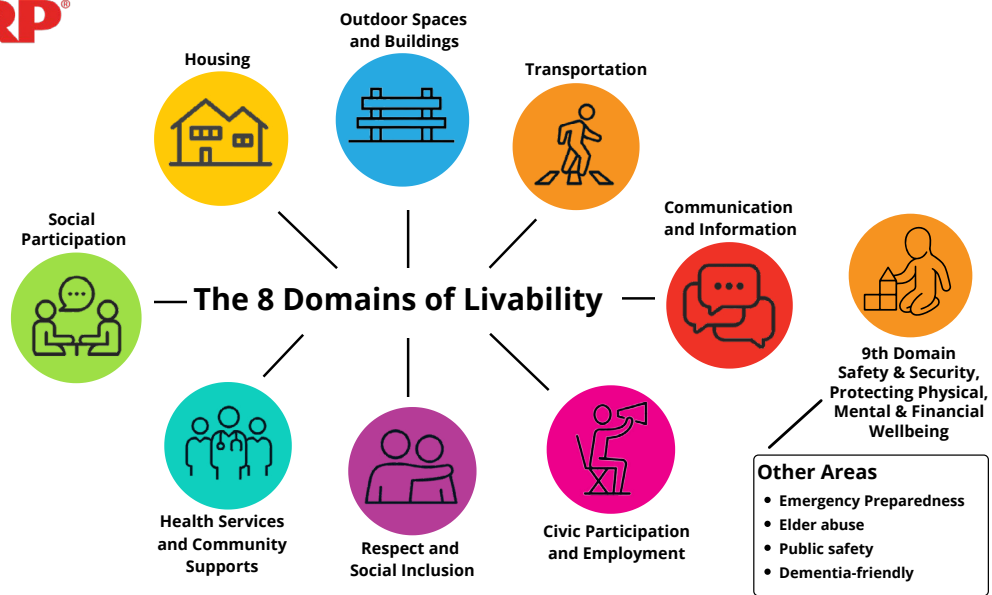


FIGURE 10. AARP 8+ DOMAINS OF LIVABILITY
Source: AARP and Avivar Capital

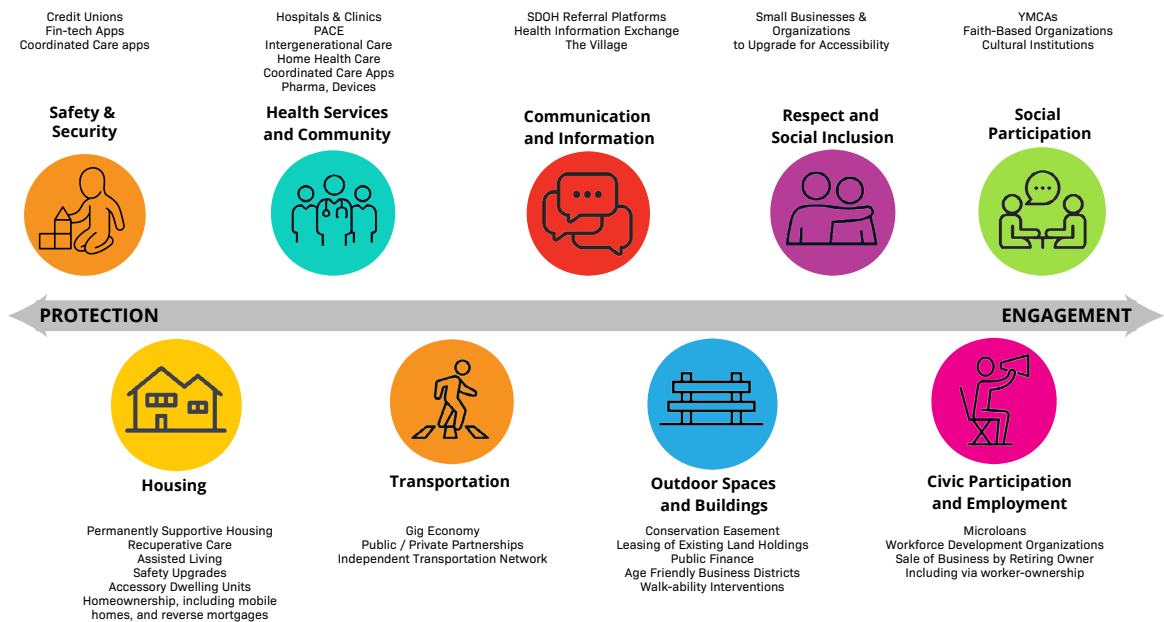


FIGURE 11. AARP 8+ DOMAINS OF LIVABILITY & POTENTIAL IMPACT INVESTING OPPORTUNITIES
Source: AARP and Avivar Capital

ADVANCING LIVABILITY DOMAINS ACROSS THEMES

Many foundations begin their impact investing practice by seeking catalytic investments that can amplify the impact they are seeking through their grantmaking activities. This includes PRIs or investments on flexible terms where the primary objective is to advance charitable purpose.

To build an impact investing portfolio that advances healthy aging in livable communities, a suggested first step is to identify investment themes with the greatest potential to accomplish the mission goal. In the following sections, we highlight impact themes and example impact investments linked to some of the 8+ Domains of Livability, beginning with Affordable Housing, Health & Human Services, Civic Participation & Employment.

AFFORDABLE HOUSING

The nation's aging and increasingly diverse population overwhelmingly seeks to age in place, while its existing housing stock is ill-equipped to meet the range or scale of needs. The examples following illustrate how impact investing is financing affordable housing across a range of needs, including solutions within communities that can provide complementary critical services such as access to health care, healthy food, transportation and public space. In most cases, foundations have invested in these projects through Community Development Financial Institutions (CDFIs) that provided direct loans to the affordable housing developers. In some cases, the foundation made a direct loan to the developer.



CLARKE SQUARE TERRACE, MILWAUKEE WISCONSIN

Place-based impact investors such as Bader Philanthropies (Bader) have unique potential to catalyze communities that foster healthy human development over the life course. Bader has long made PRIs both through CDFIs and direct loans to organizations to enhance the quality of available housing and other services for older adults in its Milwaukee region. Bader's loan to Clarke Square Terrace is an example. The financing enabled the development of this project that offers studio, 1 and 2 bedroom affordable rental units for Seniors 55+ along with support for Activities of Daily Living, transportation and group activities unique to the residents' lives. Located near a grocery store, restaurants, and churches, the property is 10 minutes from downtown Milwaukee and 15 minutes from Mitchell International Airport. As part of COVID-response, Bader extended additional PRIs to strong community service providers focused on older adults including veterans.



GREEN PASTURES SENIOR COOPERATIVE, REDMOND OREGON

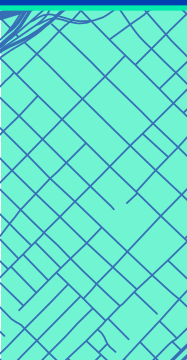
For older adults needing affordable housing, manufactured housing can be a low-cost, unsubsidized and widely available alternative. Some 3.3 million heads of households ages 55+ live in manufactured housing — nearly half (48.9%) of its households. Green Pastures Senior Cooperative (GPSC) is a 51-home, resident-owned manufactured home community for people over 55. Residents formed the cooperative to achieve resident-ownership in 2009 with financing from CASA of Oregon and ROC USA — CDFIs that are in turn capitalized by the Ford Foundation, Prudential and others.

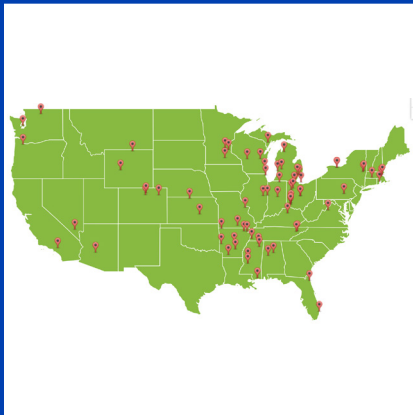
Residents now run the community as a business on their terms — “for the betterment of ourselves and our neighbors.” The nearby Redmond, OR Senior Center offers affordable hot lunch on weekdays, meal delivery for people who are homebound, classes and interest groups ranging from trail walking to chess to pickle ball. With a library and game room on site, residents meet new people and socialize with friends.



PSS/WSF GRANDPARENT FAMILY APARTMENTS, THE BRONX

In 2005, Presbyterian Senior Services (PSS) partnered with West Side Federation for Senior and Supportive Housing, Inc. to build a 50-unit residence. The \$11.2 million financing included low-income housing tax credits through National Equity Fund for \$6.3 million; \$810,090 in soft financing from the CDFI, Community Preservation Corp. (CPC); and a range of other loans and government grants. Foundations and banks have long invested in such projects through CDFIs like CPC, and banks also purchase the needed tax credits. With a mission to provide safe and affordable housing and support systems that enable grandparents raising grandchildren to reach their full potential and their grandchildren to gain the emotional and educational tools essential for success, the two- and three-bedroom units accommodate needs of older adults and children. The building offers a 24-hour front desk, library, laundry on each floor, community rooms, and roof garden and relaxation area. The on-site PSS Kinship Program is staffed by social workers and educators and offers services to both residents and others in need.





GREEN HOUSE PROJECT – NATIONAL SKILLED NURSING MODEL

The Green House Project is a national model for skilled-nursing care that returns control, dignity and a sense of well-being to older adults, their families and direct care staff. Since the model’s inception, hundreds of homes have been built over 30 states, with more on the way. Green House homes are small in scale, self-contained, and self-sufficient, with elders at the center. Each home includes private rooms and bathrooms for all older adults, a living room with a fireplace, and outdoor spaces that are easy to access and navigate. Homes deliver individualized care, meaningful

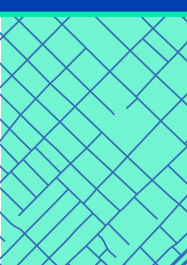
relationships and better direct care jobs through a self-managed team of direct care staff working in cross-trained roles. Since 2002, the Robert Wood Johnson Foundation awarded \$20 million, primarily to the CDFI, Capital Impact Partners (now part of Momentus Capital), to develop, test and evaluate The Green House model. In 2011, RWJF made a new \$10 million PRI to help the model achieve greater reach and impact. Additional investors include AARP Foundation and Martha’s Vineyard Hospital.



PERMANENT SUPPORTIVE HOUSING MEETING NATIONAL NEED

Supportive housing is experiencing a “graying” tenant population that calls for changes in the way that quality supportive housing is delivered. Nearly half of all single homeless adults are over age 50 and by 2050, the senior homeless population is expected to double. The Corporation for Supportive Housing (CSH) builds on its \$1 billion in financing and 30 years of developing cross-sector partnerships to address the issue, engaging broader systems for solutions that drive equity, help people thrive, and harness data to generate concrete, sustainable results.

By aligning affordable housing with services and other sectors, CSH helps communities move from crisis, optimize public resources, and ensure a better future for all. Multiple foundations and other impact investors have invested in CSH to support its ongoing work over the decades. MacArthur Foundation was an early PRI investor, while Robert Wood Johnson and Conrad Hilton Foundations have made PRIs to support CSH’s current National Solutions Fund.





MAKING HOMES SAFE FOR OLDER ADULTS IN PENNSYLVANIA

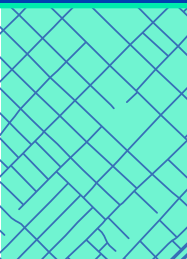
The Pennsylvania Assistive Technology Foundation (PATF) is one of a number of CDFIs and other funds that help older adults and those with disabilities to get the assistive technology they need. PATF offers low- and 0% interest loans and loan guarantees in partnership with regional banks including Bryn Mawr Trust. Installation of home modifications such as remote detection by caretakers can reduce the risk of falls, preserving the health of older adults and reducing health care costs. The Centers for Disease Control and Prevention (CDC) reports that some \$50 billion is spent annually in the U.S. on medical costs related to

non-fatal injuries and \$754 million related to fatal falls. Among non-fatal falls, \$29 billion is paid by Medicare; \$12 billion is paid by private or out-of-pocket payers; and \$9 billion is paid by Medicaid. PATF promotes smart technology for homes generally, including reminder systems and other safety and cost-saving measures.



PRESERVING HOMEOWNERSHIP FOR OLDER ADULTS NATIONALLY

Older adults are vulnerable to foreclosure as a result of predatory lending—unscrupulous practices that put borrowers at risk of financial loss. During the Great Financial Crisis (GFC), older adults were a high proportion of those who lost homes due to foreclosure. Older adults remain vulnerable to foreclosure due to both economic hardship and predatory loans. These can include reverse mortgages (contracts through which older adults can receive cash advances from an account secured by their home) and Contract for Deeds (CFD, contracts for the sale of property where the seller holds the title until full payment is received, while buyers remain vulnerable to losing their entire investment for as little as one missed payment). CFD became popular in the aftermath of the GFC when conventional financing for homeownership became harder to obtain. Blackstar Stability Solutions is a Kresge-backed, Black-led national real estate fund manager that purchases distressed mortgages and restructures them to keep low-income homeowners including older adults in their homes.



HEALTH & HUMAN SERVICES

As health and human services providers adapt to meet the needs of a diverse aging population, impact investing is helping to both launch and scale promising models. It also helps to ensure quality jobs for the many, often diverse workers in the care economy.

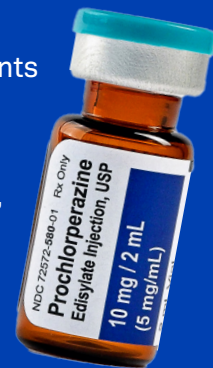
As with affordable housing investments, foundations support health and human services goals by investing through intermediaries or making direct investments into organizations. Intermediary investments include both debt funds such as CDFIs and equity funds. These include an increasing range of private equity and venture capital funds that are investing in disruptive health and human services innovation designed to increase access to and lower the cost of quality care. Such funds are increasingly diverse-led and many are proactively seeking opportunities to invest in diverse-led startups and growth companies. Among the most impressive investments, however, is the direct PRI loan by the Gary and Mary West Foundation that, together with co-investor loans by The Peterson Center on Healthcare and Arnold Ventures, catalyzed the creation of the nonprofit pharmaceutical company, Civic Rx.



AFFORDABLE PHARMACEUTICAL ACCESS NATIONWIDE

With a mission of lowering healthcare costs to enable older people to successfully age in place with access to high-quality, affordable health and support services that preserve and protect their dignity, quality of life and independence, the Gary and Mary West Foundation was keenly aware of the challenges posed by high drug prices and unreliable drug availability. Through a PRI investment, the Foundation was a leader in the creation of Civica Rx, a nonpartisan, nonprofit pharmaceuticals company that reduces and prevents drug shortages and related price spikes in the U.S. The

West Foundation partnered with two other philanthropic organizations and seven U.S. health systems to realize the Civica Rx vision. The three foundations made PRIs totaling \$27 million, which unlocked \$70 million in funding from Civica Rx's health system co-founders. The partnership helped to attract a \$100 million grant from HHS — the largest in the agency's history — to promote generic drug manufacturing within the U.S. Civica Rx will manufacture low-cost, generic insulin in its new manufacturing plant based in Virginia.

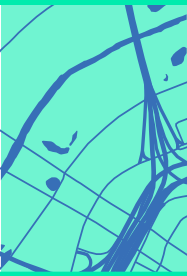




ENSURING QUALITY MEDICARE ADVANTAGE FOR ALL

Zing Health was created to provide Medicare Advantage plans that address social determinants of health (SDOH) to reduce healthcare disparities among historically underserved populations. Given that 80% of clinical outcomes are attributable to SDOH, Zing Health’s approach is grounded in understanding a patient’s circumstances outside of a clinical setting and offering a strategic, tech-enabled model that can scale to match the size of the problem. Zing focuses on members and their primary care providers, and connections to community organizations, while reducing health care expenses and eliminating financial surprises for its members. Acumen

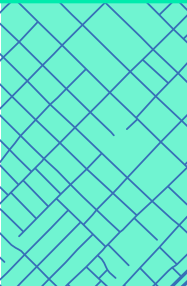
Fund, a grant-funded venture capital fund focused on eliminating poverty, invested in Zing Health. Acumen’s investors include the Robert Wood Johnson and Hitachi Foundations and Barclays. The strategy is working and Zing was acquired by Lasso Health in 2021.



VENTURE-BACKED AGING INNOVATION FOR NATIONAL BENEFIT

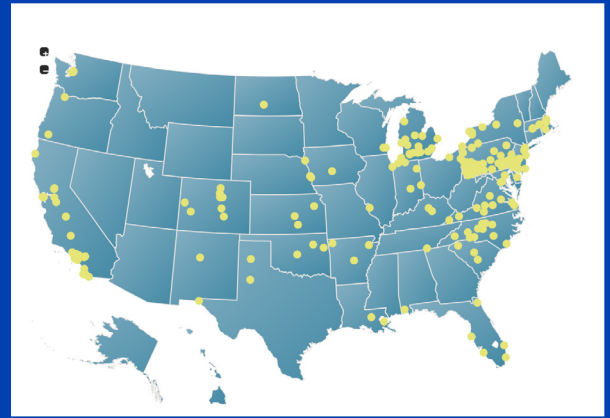
Magnify Ventures is leading a new category of investment and entrepreneurship to revolutionize the future for families as an underserved market. Magnify will invest under four categories: The Future of Parenting & Family Life; Household Optimization; Work-Life Reimagined; and Aging Innovation — investments that reimagine care and life for older adults. One example is Element3 Health, a benefit that helps health plans attract new members and keep existing members active, healthy, loyal, and engaged. The company’s cohesive solution aims to tackle \$75 billion of unnecessary healthcare spending associated with social, mental and physical decline.

A growing network of activity clubs delivers fun, inspiring opportunities to get members active physically, socially and mentally. Impact investors in Magnify include Pivotal Ventures (founded by Melinda French Gates) and family offices (dedicated wealth management companies representing single- or multi-family holdings).



SCALING PACE THROUGH FLEXIBLE PREDEVELOPMENT LOANS

The Program of All-Inclusive Care for the Elderly (PACE) supports low income, frail, older adults with long term service and support needs to live at home with a high quality of care and life. Today, PACE programs serve approximately 60,000 older adults. With increased access to PACE, many more of the estimated 2 million Medicare beneficiaries aged sixty-five or older requiring a nursing home level of care could continue living in their own homes. The National PACE Association's (NPA) growth plan targets serving 200,000 participants in PACE by 2028. With grant support from The Harry and Jeanette Weinberg Foundation, The John A. Hartford Foundation, and West Health, the NPA is working with Avivar Capital to create a pilot predevelopment lending and technical assistance program that would offer organizations interested in expanding and/or creating PACE centers predevelopment loans and assistance for the planning phase. Loans would be repaid through later stage grants or refinancing.



CIVIC PARTICIPATION & EMPLOYMENT

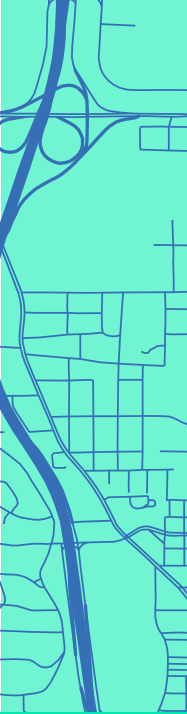
Social isolation and loneliness are increasingly recognized as critical public health issues, with 43% of older adults reporting that they feel lonely and 27% reporting that they feel isolated from others.³⁴ Social isolation and loneliness can have a profound effect on the lives of older adults.

In addition to reducing quality of life, loneliness increases the risk of health problems, loss of function in terms of self-care and mobility activities and shorter life expectancy.³⁵ Having fewer social connections has also been linked to an increased risk of dementia.³⁶ Older adults who are socially engaged in their communities can counter these negative health effects by sharing their knowledge, talent, skills, experience, and wisdom — having a positive and powerful impact on their communities and experiencing better health outcomes themselves.

Creating opportunities for greater civic and social engagement (see sidebar)³⁷ by older adults is a design principle that is woven into most of the projects and approaches using impact investing that are profiled in the GIA Guide. Flexible capital from impact investment can provide the resources for affordable housing developers to provide community activities and services; existing service providers such as a YMCA to reach out to older adults; and housing and daycare providers to design intergenerational solutions.

CIVIC ENGAGEMENT FOR COMMUNITY QUALITY OF LIFE

Civic engagement means working to make a difference in the civic life of communities and developing the combination of knowledge, skills, values and motivation to make that difference. It means promoting the quality of life in a community, through political and non-political processes.



Among the many ways that older adults seek to continue to engage are through work—both as business owners and as part of a workforce. Impact investing provides capital to older entrepreneurs for starting new businesses, expanding, or selling existing businesses, or selling existing businesses, including to workers; existing age-friendly employers; and the range of settings where cooperative ownership enhances opportunities for engagement by older adults as member-owners. This section profiles expanded avenues for engaging older adults as

- » Co-creators of new business concepts with high growth potential
- » Entrepreneurs who own new micro or small businesses
- » Retiring entrepreneurs who sell existing businesses to their workers
- » Member-owners in cooperative organizations that may provide preferential terms to members for housing, groceries, and other services.

THE SCAN FOUNDATION'S ALIVE VENTURES

The SCAN Foundation of San Diego discovered a dearth of talented creators creating products, services, or companies serving older adults, despite promising economics and capital access. The Foundation created Alive Ventures as a venture studio to create a community between older adults and creative entrepreneurs that could generate, design and produce products older adults love, such as those that facilitate companionship and staying active. While winding down the initiative in 2022, SCAN also invested in some of its emerging companies, such as Socialize, a web resource that trains older adults of all skill levels in using social media.



WORKER-OWNERSHIP CAN BENEFIT ALL PARTIES

Cooperative and other democratic forms of ownership are helping to address critical needs affecting older U.S. business owners and employees. Adults aged 55 and above own 2.9 million U.S. businesses. Some 85% do not have a succession plan and 1 out of 3 find it hard to find a buyer once ready to sell, while worker ownership delivers economic benefits to workers that help to address long-time racial disparity in retirement savings. Rockefeller Foundation invested equity in Apis & Heritage, one of several funds that combine financing and technical assistance to support

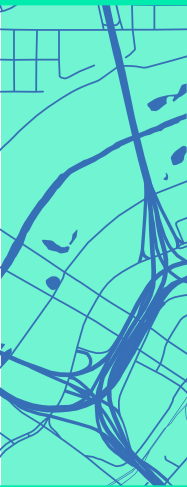
aging owners in selling to their often largely diverse employees in either Employee Stock Ownership Plans (ESOPs) or worker-owned cooperatives.



CLEVELAND FOUNDATION'S ENCORE ENTREPRENEUR INITIATIVE

Launched in 2013 by the Cleveland Foundation, Encore Cleveland notes that women over the age of 50 are one of the fastest growing groups of entrepreneurs. Thus the Foundation launched its Encore Entrepreneur Initiative (EEI) to provide tools and resources for women over 50 as they start and/or expand their small business ventures. EEI partners with the regional CDFI and women-owned business financing source, Economic & Community Development Institute (ECDI), as well as the Women's Business Center of Northern Ohio (WBC). Growing support for older entrepreneurs is coming from AARP's nationwide entrepreneurship program called Work for Yourself@50+, as well as the national trade association of CDFI and other

microlenders, the Association for Enterprise Opportunity. Charter Communications made a loan to ECDI to capitalize its expansion across the CDFI's Ohio footprint.

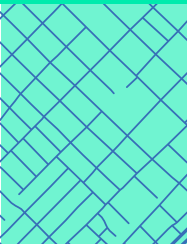


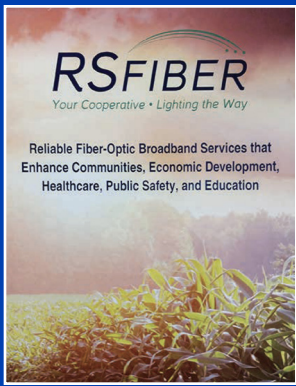
LIVABLE COMMUNITIES INFRASTRUCTURE

Housing, human services and business development initiatives are essential to livable communities and increasingly financed by impact investors; however, other supports and services within the 8+ Domains of Livability are also needed. A selection described here as Livable Communities Infrastructure can be more challenging to finance, including the broadband needed to ensure access to information, transportation and shared public spaces. The following examples illustrate how impact investing is helping to respond to this range of needs.

FINANCIAL INNOVATION WORKING TO PROTECT OLDER ADULTS

Impact investment solutions for protecting the financial security of older adults range from CDFI credit unions with programs to manage medical and other consumer debt to emerging funds such as Potlikker Capital that aim to preserve and restore assets among people of color to fintech solutions to intercept fraud. Example fintech solutions include EverSafe, an account-monitoring tool; True Link Financial Inc., which offers a prepaid debit card that can limit spending amount and location; and Golden Corp., which analyzes accounts to eliminate unnecessary expenses and helps with bill paying. Investors can invest in such companies directly or via foundation-backed fintech focused impact investment funds such as Core Innovation Capital, in which the W.K. Kellogg Foundation is an equity investor.





MOBILIZING CAPITAL TO ENSURE BROADBAND ACCESS FOR ALL

Technology is essential to supporting health and wellbeing for older people. This support is hard to ensure in our nation’s mostly rural communities that still lack broadband. Impact investing is helping to address this situation, including through CDFI and CRA-motivated bank partnerships that finance local utilities (including utilities cooperatives) to bring broadband to still underserved regions. RS Fiber is a community-driven telecommunications cooperative covering parts of Minnesota’s Sibley and Renville Counties. Through a Joint Powers Agreement of 10 Cities and financing involving the CDFI, Rural Electric Economic Development, Inc., community banks fulfilling the Community Reinvestment Act, and a New Markets Tax Credit, the region gained access to broadband.

TRANSPORTATION FOR OLDER ADULTS IN ALL PLACES

ITNAmerica is a national senior transportation network with 13 affiliates in 12 states. Its ITNCountry program enables rural and small communities to customize transportation service and elevate a local community name and brand. Revenues and other resources for program operation come from municipalities, grants, and Personal Transportation Accounts through which users can receive, purchase and/or make donations of cars or time to receive rides. Like many entrepreneurial nonprofit social enterprises, ITNAmerica has utilized very modest bank debt but could benefit from equity-like growth capital to scale. This can include recoverable grants (grants that are repaid if the grantee meets certain financial milestones — creating access to more financing) or long-term, low-interest debt, ideally with repayment based on available cash flow or possibly forgivable based upon meeting mutually agreed upon social impact milestones.



SAFE, INTERGENERATIONAL PARKS

Parks can be safe and social places for older adults, through accessibility (walking distance from where older adults live, 2% grades for wheelchairs, smooth pavement, benches with arm rests to assist sitting and standing); natural beauty; choice (of passive or active recreation, sun or shade, moveable chairs); physical activity incentives (mile markers and exercise machines in shaded areas); security (visibility to the street); buffers for street noise; and designs to facilitate interaction (bulletin boards, outdoor reading rooms, sculptures and fountains to help start conversations). Impact investing can help to create parks through local municipal bonds that fund parks, land trusts and niche funds such as The Conservation Fund (TCF) that aim to protect key local properties, increase access to green and open space, recover natural habitats, provide conservation education, and help people connect with nature. The David & Lucile Packard Foundation’s PRI loan helped TCF to convey land that enlarged Richmond, California’s Harbour-8 Park.



ADVANCING THE 8+ DOMAINS OF LIVABILITY ACROSS ASSET CLASSES

The foregoing examples illustrate how impact investors can target regional or national impact investing strategies to address urgent needs such as increasing the supply of quality, affordable housing for older adults or creating income and social engagement opportunities through employment. The following sections illustrate how impact investors can incorporate a goal of promoting inclusive, healthy aging across their traditional investment asset class allocations.

Cash: Foundations typically maintain a small portion of their assets in cash—in the range of 3% of assets—to meet grant commitments as well as day to day operating expenses. Many impact investors place cash in the form of insured deposits in banks and/or credit unions with a primary mission of community development, including certified CDFI banks and/or credit unions. CDFI depositories tend to be on the front lines of providing safe, sound and affordable financial services and loans to their customers, including underserved older adults, low-income customers and customers of color, while paying market rates of interest on deposits. In addition, banks and credit unions typically provide federal deposit insurance of up to \$250,000 per depositor, which can be extended in certain circumstances. This makes deposits in such institutions virtually risk-free for impact investors. Interested investors can locate CDFI banks and credit

unions serving their communities through the U.S. Department of Treasury’s list of certified CDFIs available at www.cdfifund.gov.

Fixed Income: Fixed income securities including bonds are typically debt instruments (loans) that offer current income to investors at fixed rates of interest with an expected repayment of the investment principal (face or original amount lent by the investor to the borrower) at a known maturity date. Recent industry reports suggest that foundations hold between 9 to 16% of their assets in fixed income securities.³⁸

Typically issued by corporations (non-profit or for-profit) and governments seeking long-term, fixed rate debt, fixed income securities are generally traded in the public markets. Securities that are traded in public markets offer investors the advantage of liquidity — the ability to easily sell the security and turn it into cash when needed.

As debt instruments in which the borrowers contract to repay their loans with contractual interest rates and repayment dates, fixed income securities also carry relatively low risk compared to other investment options such as higher yielding equity investments.

Equity investments are ownership claims on the uncertain future earnings of a for-profit company. While equity investments typically have the potential to generate higher financial returns than debt investments over time, the uncertainty of earnings carries greater risk. For this reason, foundations typically use fixed income securities to diversify their holdings, thereby mitigating the risk of equity holdings.

Foundations typically benchmark their fixed income securities portfolio — set financial performance expectations — to a financial return benchmark for securities that carry similar risk. The benchmark may

be customized to reflect the mix of fixed income securities in the foundation's portfolio, such as 80% Barclays Capital US Aggregate and 20% U.S. T-Bills.

Place-based investors increasingly seek to invest in fixed-income securities that provide debt financing to local organizations and government. Often such holdings can be targeted to meet local community, economic and infrastructure development needs. Examples include bonds that finance senior housing (see The Atrium at Sumner below),³⁹ local hospitals and clinics, in addition to first-time homebuyers, small businesses and sustainable infrastructure such as solar power installations.

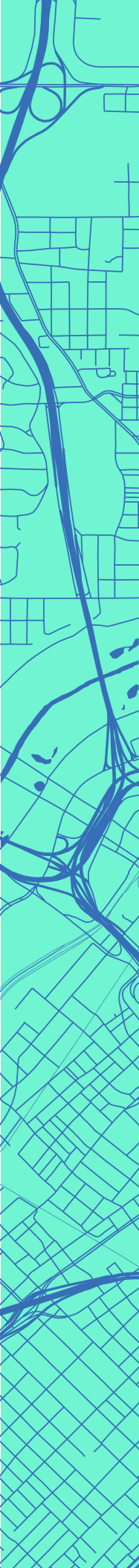
FIXED INCOME SECURITIES BACK SENIOR HOUSING IN BEDFORD-STUYVESANT

In New York City's Bedford-Stuyvesant community, the Atrium at Sumner will feature 130 studio apartments and 59 one-bedroom apartments, with 57 apartments set aside for formerly homeless seniors and the remaining apartments available to households earning at or below 50% of Area Median Income. The 11-story building is designed to Passive House Standards, resulting in 60 to 70% less energy consumption compared to the average New York City apartment building. It features a community garden for residents and adjacent open space for a new playground, walking paths, lighting, and seating. Common areas will include an exercise room, classrooms, conference rooms, and a multi-purpose room for arts classes and other programming to meet the needs of older people.



“The project will partner with a Program for All-inclusive Care for the Elderly (PACE) provider for comprehensive medical and social services for qualified older residents, and a provider of social services with more intensive case management and services for formerly homeless residents.”

Permanent financing for the \$132 million project includes \$41 million in Housing & Community Development (HDC) bonds; a \$12 million subsidy from HDC's Extremely Low & Low-Income Affordability and Housing Preservation & Development's Senior Affordable Rental Apartments (SARA) programs; roughly \$63 million in Low Income Housing Tax Credit equity; \$3.5 million in Reso A funds from the Brooklyn Borough President, City Council Members and the City Council's Black & Asian Caucus; \$2.2 million from the Dormitory Authority of the State of New York; \$300,000 from the New York State Energy Research and Development Authority, and \$10 million from other sources.



Foundations may expand the types of investments they invest in to fulfill the income generating and diversification role of traditional fixed income securities. Foundations may make long-term loans to CDFI loan funds that provide financing to local organizations and households that may have difficulty obtaining affordable or flexible financing from a conventional lender. CDFI borrowers often include organizations that provide needed affordable housing, healthcare, social services and arts and culture services to older adults.

While investor loans to CDFIs are not fixed income securities proper, they are similar in that they provide long-term debt (loans) to organizational borrowers at a fixed rate of interest. Loans from impact investors provide the capital that CDFIs relend not only to older adults and older adult-serving organizations but also to other organizations, small businesses and households that experience limited access to financing due to their relatively small loan requests, modest or fluctuating incomes, and/or limited or blemished credit histories. Often, such entities also lack access to conventional credit due to systemic biases related to where they live, their race or ethnicity, gender, age, disability, the novelty of their financing request, or other factors.

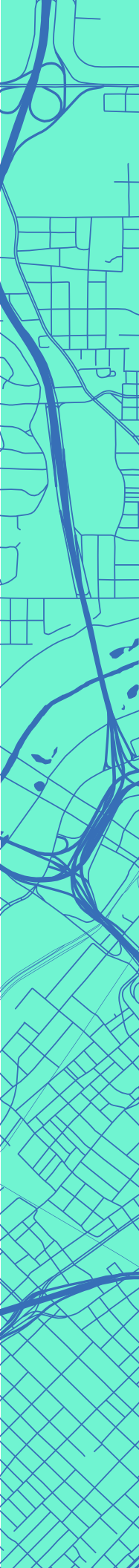
Guarantees: Investors typically offer loan guarantees to engage a third party to make a loan, such as a bank. Guarantees can be either funded (with reserve funds placed into a dedicated deposit or other account) or unfunded (backed by a pledge of assets that the guarantor keeps invested in traditional holdings). The guarantee

amount is a contingent liability that the guarantor would need to make available in cash, should the guaranteed loan default.

Guarantees typically cover only a portion of the full loan amount originated by the primary lender. The financial due diligence for a guarantee is virtually the same as for a direct loan, as the guarantor may repay the primary lender for the guarantee amount or more should the borrower of a guaranteed loan default on its payments.

Loans from impact investors provide the capital that CDFIs relend not only to older adults and older adult-serving organizations but also to other organizations, small businesses and households that experience limited access to financing due to their relatively small loan requests, modest or fluctuating incomes, and/or limited or blemished credit histories. Often, such entities also lack access to conventional credit due to systemic biases related to where they live, their race or ethnicity, gender, age, disability, the novelty of their financing request, or other factors.

Loan guarantees have been a critical tool in increasing access to credit for businesses, homeowners and students over the years. Part of a broader category of so-called “credit enhancement” that provides loss protection for a “senior” lender (the lender whose loan is guaranteed or credit enhanced), the best-known guarantee programs are government-sponsored. These include but are not limited to Small Business Administration (SBA), United States Department of Agriculture (USDA), Bureau of Indian Affairs (BIA), Department of Energy (DOE) and Federal Family Education Loans (FFEL, including Stafford loans).⁴⁰ CDFIs and select banks are expert in using these guarantee programs to expand access to a full range of business and household credit.



While critical to community development nationwide, existing loan guarantee programs have not yet addressed the full range of development finance needs. Relatively few government programs, for example, provide loan guarantees to nonprofit organizations, despite the essential services these entities provide. Philanthropy has created excellent resources to address these limitations in recent years, including a [user's guide to guarantees](#) by the Global Impact Investing Network and the [Community Investment Guarantee Pool](#) spearheaded by the Kresge Foundation.

Among GIA members, Bader Philanthropies has been a leader in providing loan guarantees to Milwaukee community businesses and organizations. These include a local parochial school, a day care center, a workforce organization and a small business. While some of the Foundation's guarantees have been called (i.e., the underlying loan went into default), Bader Philanthropies' loss rates on guarantees overall is 5%—a modest amount, given the benefit of enabling needed community projects that could not otherwise have gained access to financing.

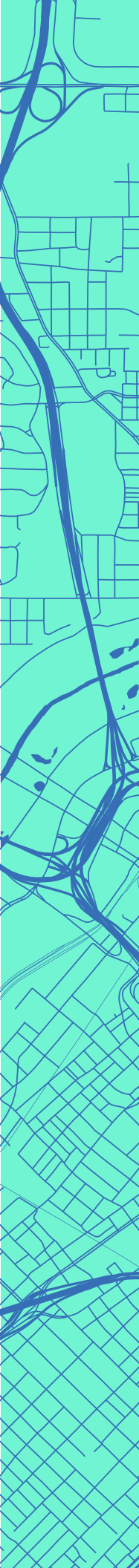
Alternatives: While there is no universally accepted definition for the alternatives asset class, some define it simply as assets other than basic asset classes of stocks, fixed-income or cash. The CFA Institute (certifying body for elite financial analysts) offers a more detailed working definition for alternatives that includes investments in private equity, hedge funds, real assets (including energy and commodity investments), commercial real estate, and private credit (debt or loans).⁴¹

Foundations have been increasing the amount of assets they allocate to the alternatives asset class, which is currently in the 20 to 50% of assets range.⁴²

Alternatives investments typically carry greater risk than the more traditional asset classes, along with higher expected financial returns (including a so-called “risk premium”). Alternatives investments also frequently require a long time horizon to deliver their premium expected returns. Thus they are illiquid investments that generally can't easily be sold on exchanges or readily turned into cash at fair market values. Illiquidity increases the riskiness of an investment and therefore typically carries its own liquidity premium (the extra financial return an investor may require in order to make an illiquid investment). From a social impact standpoint, alternatives can provide the long-term, risk tolerant capital that innovative organizations and funds need to demonstrate success in products, services and business models that advance more equitable and sustainable ways to address community needs.

For institutions with long time horizons such as foundations, alternatives offer the potential for high social benefit along with increased financial returns and diversification from stocks and bonds. While there are alternatives-specific financial benchmarks, investors may also benchmark the performance of their alternatives investments to the performance of the S&P 500 (an index of fully liquid, publicly traded stocks).

Private equity investors provided capital for the launch and expansion of Edenbridge Health, a social enterprise that manages Program of All-inclusive Care for the Elderly (PACE) facilities. PACE facilities bundle Medicare and Medicaid reimbursements into a capitated payment to provide comprehensive care to frail, low-income older people. While PACE programs have delivered exceptional outcomes and economics, capital is needed for expansion to serve more older adults in need.



Venture capital investors backed the expansion of Honor, a home health care delivery platform whose mission is to help more people live safely at home as they age. Honor's partnership model provides back office, hiring and marketing to quality, locally-owned and managed home care providers while also providing potential equity ownership stakes in Honor to its workers.

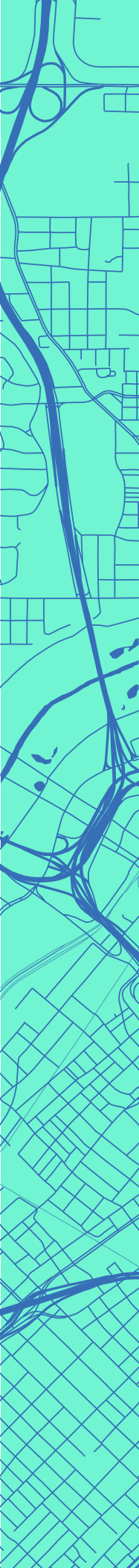
Public Equities: By far the greatest share of foundation assets tend to be invested in public equities, i.e. publicly traded stocks. Foundations traditionally held some 70% of assets in public equities, though this percentage has declined over recent decades, as the institutions have increased their allocation to alternatives and similar vehicles offering greater diversification and earning potential. Even so, foundations report investing between 35% and 60% of their assets in public equities.⁴³

These highly marketable securities represent ownership shares in corporations. As part owners of corporations, foundations and other investors only achieve significant financial returns to the extent that the corporations are profitable. For this reason (and because corporate earnings are volatile, going up and down over time), public equities carry higher risks but also higher expected returns than fixed income securities over time. However, since public equities are fully liquid securities typically representing large corporations, they tend to carry lower risk and lower returns than private equity and other investments in the alternatives asset class.

Investors hold public equities for their yield producing potential, while mitigating the risks by diversifying their holdings both across other asset classes and within the public equities asset class itself. They diversify their public equity holdings by investing in companies of different sizes, sectors and geographies and/or by investing in funds whose focus represents such a diversified mix of companies. They benchmark the performance of particular public equities holdings against relevant index benchmarks, such as the S&P 500 for U.S. large-cap stocks and the Russell 2000 for small-cap stocks.

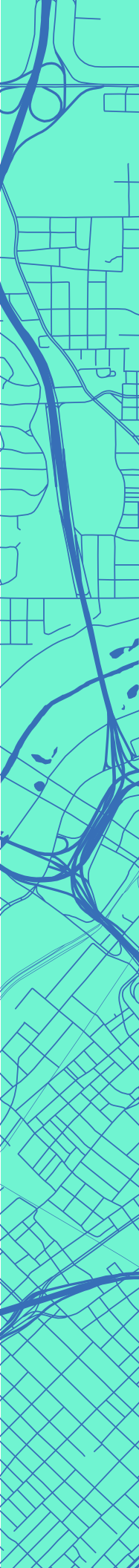
From a social impact standpoint, investors increasingly use ESG screens to either *exclude* holdings in corporations whose practices they find objectionable, *include* holdings in corporations that they deem may apply best practices and/or practice *shareholder engagement* with holdings where they seek to influence corporation practices. For example, many health funders including the Robert Wood Johnson Foundation have excluded holdings in tobacco companies⁴⁴ and an increasing number of institutions exclude holdings in weapons manufacturers.⁴⁵ The McKnight Foundation's low carbon portfolio *includes* companies with best in class approaches to carbon reduction.⁴⁶ A number of investors have used shareholder engagement to challenge pharmaceutical companies on opaque and inequitable practices.⁴⁷

While many GIA members are early in the practice of impact investing, a number have been leaders. They are demonstrating that impact investing is fertile ground for promoting a just and inclusive world where older people are fully valued, recognized, and engaged. As described in Section VI, Collaboration, they share a commitment through GIA to work more closely with like-minded investors and partners to fully realize the potential of impact investing to ensure that all older adults can continue to live secure and engaged lives.



EXAMPLE SOCIAL METRICS	LIQUIDITY		INCOME & WEALTH PRESERVATION			CAPITAL APPRECIATION			INFLATION PROTECTION
	CASH/CASH EQUIVALENT	DEBT	FIXED-INCOME (BONDS)	GUARANTEE	PUBLIC EQUITY	PRIVATE EQUITY	VENTURE CAPITAL	REAL ESTATE, COMMODITIES & OTHER REAL ASSETS	
<ul style="list-style-type: none"> > OA have apps protecting from financial abuse > OA have life insurance < OA use predatory financial services 	Deposits in credit unions and banks w/ older and low-income adult education/ services	Loans to CDFIs providing consumer and small business loans to older adults		Guarantees of local lending programs for OAs	Companies offering non-predatory savings, credit and insurance products	Funds and/or firms backing fintech that benefits OA	Funds and/or firms backing fintech that benefits older adults	Funds that may purchase OA homes to assist those residents in avoiding foreclosure	
<ul style="list-style-type: none"> > OA housed safely and affordably in walkable, mixed income areas > OA age in place > OA own homes < OA experience foreclosure 	Deposits in credit unions and banks that are affordable housing lenders and investors	Loans to CDFIs that finance OA housing, or loans to developers of same	Bonds financing the range of local affordable housing and long-term care, transit, parks in a targeted region	Guarantees of local lending programs for OA housing, including with Low Income Housing Tax Credits (LIHTC)	Stocks in quality OA housing provider firms & Real Estate Investment Trusts (REITs)	Ownership interests in responsible PE funds and companies that invest in quality OA housing	Funds and/or firms backing fintech that benefits older adults	Funds that may purchase OA homes to assist those residents in avoiding foreclosure	
<ul style="list-style-type: none"> > OA life expectancy, especially vulnerable populations < Health disparity on many metrics > OA fully insured < OA with PCMH < OA unnecessary specialist visits 	Deposits in credit unions and banks that finance home health care and other health/care-related businesses	Loans to CDFIs that finance home health care and other health/care-related businesses—or direct loans to companies	Bonds financing local Federally Qualified Health Clinics (FHQC), hospitals, long-term supportive services (LTSS), PACE and other providers in a targeted region	Guarantees of local lending programs for OA, including with New Markets Tax Credits (NMTC)	Stocks in companies that operate health, housing and other quality, affordable services	Ownership interests in funds and firms investing in quality OA healthcare, including PACE	Funds and/or firms backing fintech that benefits older adults	Funds that may purchase OA homes to assist those residents in avoiding foreclosure	
<ul style="list-style-type: none"> > OA have apps and/ or smart phones for communication and information > OA informed on issues affecting their wellbeing 	Loans to CDFIs providing loans to sustainable organizations that provide community information	Loans to CDFIs providing loans to sustainable organizations that provide community information	Bonds for local public media Bonds for broadband	Guarantees of loans to organizations that provide community information	Stocks in companies providing safe social media and other media	Funds and/or companies investing in media addressing OA interests	Funds and/or companies investing in media addressing OA interests	Developers of broadband	
<ul style="list-style-type: none"> > OA with access to safe, affordable transportation > With access to safe, walkable streets > Diversity of OA visitors to sites > OA trust in others/ community 	Deposits in credit unions or banks that provide loans for used cars or ride services	Loans to CDFIs that finance used cars and local ride services	Bonds financing public transportation	Guarantees of loans to companies providing ride services and/or to government for public transit	Stocks in companies that manufacture efficient private/public transit vehicles	Funds and companies investing in transit meeting OA needs	Funds and companies investing in transit meeting OA needs	Developers of sustainable batteries and fuels	

Figure 12: Abbreviations in the following illustrative chart include: Older adults: OA; Program of All-Inclusive Care for the Elderly: PACE; Patient-Centered Medical Home: PCMH; More than: > ; Fewer than: < . Source: Avivar Capital



LIQUIDITY		INCOME & WEALTH PRESERVATION			CAPITAL APPRECIATION			INFLATION PROTECTION
EXAMPLE SOCIAL METRICS	CASH/CASH EQUIVALENT	DEBT	FIXED-INCOME (BONDS)	GUARANTEE	PUBLIC EQUITY	PRIVATE EQUITY	VENTURE CAPITAL	REAL ESTATE, COMMODITIES & OTHER REAL ASSETS
<ul style="list-style-type: none"> > OA visits to public spaces > Diversity of OA visitors to sites > OA advocacy for sites > OA trust in others/ community 	Deposits in credit unions and banks that provide grants and loans for local public facilities (buildings)	Loans to CDFIs that finance local public facilities	Bonds financing local parks and public facilities	Guarantees of lending for public facilities	Stocks in real estate development companies building OA-friendly buildings	Funds and real estate development companies building OA-friendly buildings	Funds and/or companies backing OA-centered design concepts and development	Developers of public facilities and other spaces
<ul style="list-style-type: none"> > OAs with live/web access to trusted friends and family > OAs in respectful care settings > OAs hired in ageism-free jobs 	Deposits in credit unions and banks with OA and low-income services	Loans to CDFIs providing financing to OA care providers and employers		Guarantees of local loans for OA-serving organizations	Stocks in companies offering quality OA services	Ownership interests in funds / firms backing social networks and/ or OA quality care facilities	Funds and/or firms advancing OA-focused apps/ services	Funds/companies that develop quality OA care or networking spaces
<ul style="list-style-type: none"> > OAs able to find friends and activities they trust > OAs in activities that develop / maintain mental and physical wellbeing 	Deposits in credit unions and banks that sponsor OA-serving organizations	Loans to CDFIs financing OA- serving organizations including intergenerational providers	Bonds financing local PACE providers	Guarantees of local loans for OA-serving organizations	Stocks in companies that operate health, housing and other quality, affordable OA services	Ownership interests in funds / firms backing social networks and/ or OA quality care facilities	Funds and/or firms advancing OA-focused apps/ services	Funds/companies that develop quality OA care or networking spaces
<ul style="list-style-type: none"> > OAs in jobs with good benefits, including worker-owned forms > OAs able to sell their companies, including to workers > OAs in consumer cooperatives 	Deposits in credit unions and banks that provide local small business loans	Loans to CDFIs providing OA small business/ worker-ownership / cooperative loans	Bonds financing the range of local affordable housing and long-term care, transit, parks in a targeted region	Guarantees of local loans for OA-owned, focused and/or employing businesses	Stocks in companies providing services to worker-owned company conversions	Ownership interests in funds financing OA-owned businesses, including via worker-ownership conversion	Funds and/or firms advancing OA-focused apps/ services	Funds/companies that develop quality OA-friendly workspaces

SECTION III: IMPACT INVESTMENT POLICY & GOVERNANCE

Investment policy statements provide essential guidance for those implementing an impact investing or broader ESG strategy, and the field benefits from the willingness of impact investors to share thoughtful examples of impact investment policy statements (see Section VII, Resources).

These living documents are a tribute to visionary and flexible boards of directors and staff who in many cases have studied industry practices and developed investment policies customized to their institution's mission, program priorities, geography and other factors.

Impact investors typically engage board members and other experts who contribute financial expertise to help guide the development of impact investing strategies, investment policy statements, processes, procedures and program implementation.

RECRUITING SKILLED AND VALUES-ALIGNED GOVERNANCE

Foundations that practice impact investing typically benefit from recruiting board members and other experts with financial expertise to help guide their strategies, investment policy statements, processes, procedures and program implementation. On occasion, new board and/or advisory board members may be essential to enabling an impact investing practice to develop.

CRAFTING AN IMPACT INVESTMENT POLICY STATEMENT

Many impact investors begin to make impact investments before creating a formal policy or guidelines for doing so. This may happen because an impact investment opportunity presents itself that meets the financial criteria of the investor's existing investment policy statement. Or it may happen because the investor gets a time-sensitive impact investment request, such as for a bridge loan against pledged grants. Over time, institutions that choose to make impact investing a formal element of their investment strategy will typically memorialize guidelines in an impact investment policy statement. They may do so by modifying their existing investment policy statement or by creating a stand-alone impact investing policy statement or guidelines.

As with any investment policy statement (IPS), an impact investment policy statement (IIPS) typically addresses the following issues: Purpose & Scope; Definition of Duties; Objectives & Constraints; Criteria & Guidelines; and Monitoring & Reporting (on financial and social performance of the impact



investment portfolio). The IPS for an impact or SRI-ESG investor may go further to discuss an institution’s broader commitment to aligning all policies, practices and resources or “capitals” to mission and/or values.

Within the Criteria & Guidelines section, the impact investor typically sets out the amount of its allocation to impact investing (dollar amount or percentage of assets), as well as targeted geography (if any), themes or sectors, asset classes, asset manager selection criteria (including any potential proactive commitment to seeking diverse managers) and direct investment selection criteria. Some impact investors will only make direct investments if a suitable intermediary for the investment cannot be found, while others favor direct investing or a mix of both intermediary and direct styles.

Trustees can take comfort that the practice of impact investing has developed over a period of decades. During this time, the field has continued to build a track

record of rigorous investment discipline and reliable financial and social performance, while the regulatory framework has evolved to more clearly sanction the practice.

The Internal Review Service (IRS) in 2015 provided new, helpful [guidance](#) for private foundation investors seeking to make either PRIs or MRIs. On the PRI front, the IRS published new examples of PRIs that illustrated the broad flexibility of this tool to drive charitable purpose in a variety of sectors, as well as through both nonprofit and for-profit investees. On the MRI front, the IRS clarified that, consistent with state laws for the management of institutional assets, investors need not always seek the highest financial return, lowest risk or greatest liquidity on investments, provided that they take requisite ordinary business care and look out for the furtherance of the foundation’s charitable purpose.

***As with any investment policy statement (IPS), an impact investment policy statement (IIPS) typically addresses the following issues:
Purpose & Scope; Definition of Duties; Objectives & Constraints; Criteria & Guidelines Monitoring & Reporting (on financial and social performance)***



TRAILBLAZERS IN IMPACT INVESTMENT POLICY

Impact investing and broader SRI-ESG investing among U.S. foundations have benefitted greatly from the forward thinking and collegiality of early adapter institutions. Often small to mid-sized institutions, each has been a beacon for peer foundations of all sizes and footprints — global, national or place-based within communities.

In the 1980s, the [Jesse Smith Noyes Foundation](#) began to align all of its assets with mission and has long shared its investment policy statement on its website. More recently, the Foundation has added a helpful white paper on its investment advisor selection process.

In the mid-1990s, the [F.B. Heron Foundation](#) began its journey to aligning 100% of assets to mission. Throughout the process, the Foundation's staff and board generously shared their insights with peer foundations nationwide. Their early writings on the topic, including reflections on mission stewardship and fiduciary responsibility by William Dietel, the Heron's former chairman, have provided inspiration and helpful guidance to directors and staff of many organizations over the years. Today, the Foundation shares its investment portfolio as well as investment policy statement on its website, along with reflections on its still evolving investing practices.

In 2000, Charly and Lisa Kleissner created the [KL Felicitas Foundation](#) with a mission to enable social entrepreneurs and enterprises worldwide to develop and grow sustainably. The Foundation also actively advocates its impact investing strategy and its invitation-only grant program complements its impact investing program. The Foundation shares extensive information about its 100% mission alignment investment policy, portfolio and performance on its website.

In 2016, Incourage adopted an investment policy statement reflecting its commitment to align 100% of assets to mission. As a place-based, values-led and resident-centered philanthropy, Incourage is committed to working with residents to co-create an inclusive, adaptive community through a connected capitals approach that taps the community's moral, human, social, intellectual, reputational and financial capital, while preserving the region's natural capital. Its investment policy serves this inclusive vision and extends to principles of asset manager and vendor selection.

SECTION IV: PROCESS & PROCEDURES

Moving from idea to action on impact investing and broader SRI-ESG investing calls for an institution to plan for the execution of day-to-day as well as high level implementation tasks set out in the impact investing life cycle (Planning, Policy, Process & Procedures and Portfolio Management).

The following sections provide further detail on the Process & Procedures of impact investing, where institutions often carry out some of the processes in-house. This is followed by some general observations on SRI-ESG investing, where investors typically work with outside investment advisors and asset managers.

Many investors outsource impact investing tasks, but an increasing number are also forming shared services collaboratives and/or shifting their staffing models to attract hires with impact investing skills... fortunately, impact investors tend to be highly collaborative, sharing both tools and approaches.

IMPACT INVESTING EXECUTION

The key tasks of executing an impact investment strategy include sourcing investments in a “deal pipeline;” performing preliminary due diligence to vet pipeline opportunities; proceeding to full due diligence on qualifying opportunities; structuring, negotiating and closing the investment; and monitoring and reporting on the investment.

Each institution will manage these functions differently, based upon its institutional capacity and interests, as well as the scope of its impact investing program. This includes such matters as whether or not a community foundation or public charity will seek to engage donors.

Once originated, the impact investor needs systems to monitor and report on impact investments. These differ between loans and equity investments, and investors differ in the frequency of their monitoring. But the portfolio monitoring process typically includes regularly gathering and reviewing a range of financial and social performance data on each impact investment, as well as analyzing and reporting on such performance across the portfolio of investments.

Many investors outsource impact investing tasks to investment advisors and consultants, but an increasing number are forming shared services collaboratives and/or shifting their staffing models to attract new hires with

impact investing skills and interest. These trends reflect the experience that even small-scale impact investing programs involve new systems, processes and procedures, which the field is evolving to manage. Fortunately, impact investors tend to be highly collaborative and share both tools and approaches. GIA's membership includes impact investors who have long been such collaborators and as further discussed in Section VII, support GIA's efforts to deepen this collaboration in the interests of creating inclusive, livable communities for older adults nationwide.

SRI-ESG EXECUTION

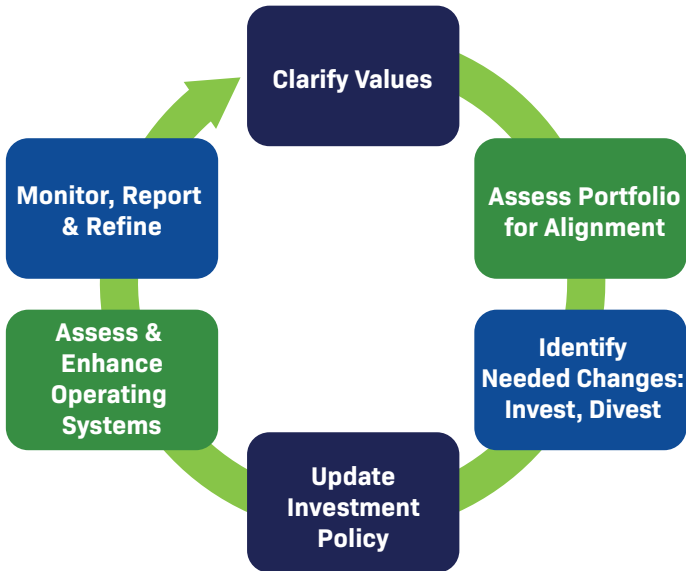
The process and procedures are somewhat different for a foundation that is considering aligning its entire conventional investment holdings with its values. Here, the investor will typically work with an investment advisor in a process in which it will clarify values and priority issues; assess the current portfolio for alignment; identify needed changes and preferred tactics; update the Investment Policy Statement; assess and enhance operating systems; reallocate investments to values-aligned options; and monitor, report on and refine the values-aligned portfolio (Figure 13).⁴³

FINDING QUALIFIED ADVISORY SUPPORT


Fortunately, investors can easily find interested and qualified investment advisors to support them in impact investing or SRI-ESG investing, should their current advisor lack interest or expertise. There are a number of experienced investment advisors who have supported their clients in aligning assets with mission and values for decades.

Experienced impact and SRI-ESG investors are usually happy to make referrals, as well as to share their Request for Proposals (RFP) templates that can assist investors in finding highly qualified investment advisor support. In addition, the number of impact and SRI-ESG investment advisors is increasing as these practices are being mainstreamed and professional associations such as the CFA Institute and US Forum for Sustainable, Responsible and Impact Investing (USSIF) are collaborating to provide professional training and certification.

There are a number of deeply experienced investment advisors who have supported their clients in aligning assets with mission and values for decades.



SECTION V: PORTFOLIO MANAGEMENT



As impact investors operationalize their programs, they coordinate the range of new investing activity under the portfolio monitoring function, integrating this with other, institutional mission-driven activities. In board and stakeholder discussions, directors periodically review whether an impact investing program is fulfilling its potential and advancing organizational mission and values, just as they might for a grant or other institutional program.

Building a portfolio of impact investments allows the investor to target capital in ways that advance one primary impact goal or a range of complementary goals, while accelerating results through co-investment.

To support these reviews, investors typically develop methods for tracking and reporting on social as well as financial performance of their impact investing and/or broader SRI-ESG portfolios. They often develop plans for additional impact investing and/or collaboration.


Occasionally, they may shift the focus of their impact investing program, reducing some aspect in order to increase focus elsewhere. Alternatively, investors may opt to increase the proportion of assets they allocate to impact investing and/or values-aligned ESG approaches. Concurrently, the impact investing team typically continues its day to day activities of sourcing, diligencing and originating new investments, as well as monitoring and reporting on the existing portfolio.

BADER PHILANTHROPIES: WORKING TOGETHER FOR CHANGE

“When we consider the scope of projects funded by Bader Philanthropies — from helping Milwaukee’s children stay safe from after-school violence to helping senior citizens around the world age with grace and dignity — our task can seem a little overwhelming.

Luckily, we don’t work alone. We work closely with community leaders who have great ideas, along with the drive to make them happen. We talk with other foundations about the challenges they face in their cities and work together to create strategies to overcome them. We work to build a strong network of nonprofit organizations who want to collaborate with one another.

Although grantmaking is our primary tool, we couldn’t do it effectively if we weren’t also focused on gathering ideas and sharing them with our peers, grantees, and partners. Real, lasting change can only happen when people work together, and bringing them together is what Bader Philanthropies is all about.”



Over time, refinements of impact investing programs often include some or all of the following elements:

Measuring Social Impact: The field continues to refine its methods for measuring the social and/or environmental performance of impact investments. Emerging approaches are grounded in the recognition that all investors and companies create positive and negative effects on society and the environment, and impact investors seek to maximize the positive and minimize the negative.^{48,49} As noted in Section I, investors are increasingly aligning their social metrics tracking with the Sustainable Development Goals and IRIS metrics. At a practical level, they are also selecting a few key performance indicators (KPIs) that they can roll up to report social impact across their impact investing portfolios. (See Figure 12, Impact Investments to Promote Healthy Aging by Asset Class).

Community Engagement: Often captured in the saying “nothing about us without us,” community engagement is an increasingly important principle for impact investors. As the field evolves, practitioners nationally are seeking substantive ways to more fully realize the widely held values of Diversity, Equity and Inclusion (DEI). These range from surveying residents on their development preferences, to power shifting actions that involve residents in community planning and decision-making on regional investments that affect their communities. Bader Philanthropies has taken a lead in emphasizing collaboration as an essential component of its philanthropy.


Capacity Building: Successful impact investing works in tandem with grant, capacity building and networking efforts to build healthy markets in communities that have often lacked access to capital. Capacity building efforts are tailored for small businesses, nonprofit organizations and households. They range from help with understanding budgets and preparing to qualify for a loan or investment, to extensive support for business planning, meeting space and human resources needs and making connections with other businesses and organizations to create regional value chains (vendor relationships that contribute to thriving regions or sectors, while also benefitting the individual businesses involved). Given that thriving businesses, nonprofit organizations and households contribute to not only vibrant regional economies and sectors but also high-performing impact investment portfolios, impact investors often spearhead and/or participate in such capacity building programs.

In seeking to create more equitable, inclusive and sustainable local and global communities, impact investors have continuously innovated.

Some practitioners have long seen the incorporation of a life course lens as a logical next frontier that could add significant value for impact investors and the communities they serve.

Innovation: In seeking to create more equitable, inclusive and sustainable communities—particularly those where older people are fully valued—impact investors have continuously innovated.

Over five decades, their efforts have expanded the field to serve additional sectors—from community development, to environmental conservation, education, asset building, health, technology (applied to the underlying sectors, i.e., fintech, edtech, healthtech, agtech, etc.), and arts and culture.



They have diversified the range of asset classes used to drive social change, from an early focus on loans to nonprofit organizations to increasing use of venture capital and private equity to create for-profit businesses that are agents of change and job creation.

In recent years, impact investors and their partners have expanded the use of accelerators and venture studios—conducive shared workspaces and other supports—for emerging companies. On parallel paths, they have expanded the range of financing for businesses with democratic forms of ownership, such as cooperatives and employee stock ownership plans (ESOPs).

Impact investors and their partners have created the novel investment structure known as pay for success (PFS, also known as social impact bonds) where repayment of the investment is dependent on meeting social impact performance targets.

Most recently, impact investors are restructuring their approaches to impact investing to incorporate Diversity, Equity and Inclusion in all aspects of the practice. Many are similarly applying a climate justice lens to their impact investing.

Some practitioners have long seen the incorporation of a life course lens as a logical next frontier that could add significant value for impact investors and the communities they serve. GIA members can take a lead in this arena. By targeting impact investments to promote healthy aging, communities and society as a whole can better capture the contributions of experienced older adults, while reducing the significant current costs of preventable care. Intergenerational programs such as described in the GIA Guide allow for realizing benefits on both ends of the age spectrum, while reducing burdens for families and government charged with older adult and early child care.

Finally, for many impact investors, internal innovation within their organizations has called for seeking mission alignment across a greater share of their assets, and this has led to innovative thinking about the role that public stocks and bonds, as well as shareholder engagement, can play in most effectively advancing institutional mission.

Parallel Policy Effort: Conducive public policy has also been essential to the impact investing field's robust, ongoing growth. Thus, fair lending laws and the Community Reinvestment Act have contributed significantly to the amount of capital that banks have directed into low-income communities and communities of color since the 1970s, including through their significant investments in CDFIs.

Similarly, the regulatory support for program-related investing and mission-related investing by foundations (PRIs and MRIs) continues to spur billions in investments targeted to solve social problems or unlock opportunity. At the same time, lack of effective public policy and/or lack of enforcement can undermine the potential and achievements of impact investing, as in the foreclosure crisis of the Great Recession when many older adults and others lost homes that they had earlier gained through effective impact investing programs. In response, the federal Dodd-Frank Act passed in 2010 aimed to improve systemic oversight of the banking and financial services industry (including relatively recently expanded nonbank mortgage companies that were the source of many predatory subprime loans) while creating stronger consumer protections against the risks to consumers that such loans create.⁵⁰



While private foundations must work within regulatory guidelines when supporting policy efforts (see Advocacy versus Lobbying below), experience teaches that impact investors benefit from partnering with advocacy organizations to ensure conducive policy is in place to support impact investing generally and community investing in particular.

In general, impact investing seeks to drive solutions that are overlooked in the conventional marketplace. Often, the issues are complex and solutions involve a combination of capital, capacity building and conducive policy. As described in the next section, impact investors find collaboration to be an important element of success.

ADVOCACY VERSUS LOBBYING*

- » Advocacy is the process of stakeholders making their voices heard on issues that affect their lives and the lives of others at the local, state, and national level. It also means helping policymakers find specific solutions to persistent problems. Most nonprofits can and do engage in as much advocacy as possible to achieve their goals.
- » Lobbying, on the other hand, involves activities that are in direct support of or opposition to a specific piece of introduced legislation. While nonprofits can engage in some lobbying, the IRS has strict rules about what portion of their budget can go toward these activities. There are also prohibitions on any use of federal funds for lobbying.

Successful impact investing works in tandem with grant, capacity building and networking efforts to build healthy markets in communities that have often lacked access to capital.

EXAMPLES OF ADVOCACY VS. LOBBYING

Advocacy

- » Telling your member of Congress how a federal grant your organization received has helped your constituents.
- » Educating a member of Congress about the effects of a policy on your constituency.
- » Inviting a member of Congress to visit your organization so that they may see firsthand how federal funding or a policy affects day-to-day operations and the difference it makes.

Lobbying

- » Asking your member of Congress to vote for or against, or amend, introduced legislation.
- » Emailing a “call to action” to your members urging them to contact their member of Congress in support of action on introduced legislation or pending regulations.
- » Preparing materials or organizing events in support of lobbying activities.

**Prepared and presented by the National Council on Aging. While public charities may do some lobbying, private foundations may not engage in or fund lobbying activities, except for lobbying on behalf of philanthropy itself, such as lobbying for excise tax reduction.*



Photo by Christina on Unsplash

SECTION VI: IMPACT INVESTOR COLLABORATION

THE ROLE OF PHILANTHROPY-SUPPORT ORGANIZATIONS

Some philanthropy-support organizations are working to promote collaboration among their members through impact investing. Michigan and Minnesota have created resources within their Regional Associations of Grantmakers to support impact investors, including initiatives to promote investment in market-rate fixed-income securities (bonds) that back affordable housing and small business within the states' low-to-moderate income communities. The New Mexico Impact Investing Collaborative is a shared services platform through which a consortium of that state's investors have carried out a Request for Applications to jointly generate impact investment opportunities and share investment due diligence. ImpactPHL is a Philadelphia-based association that promotes impact investing and regionally focused responsible business practices by both investors and organizations. GoATL is a regional investing program spearheaded by the Community Foundation of Greater Atlanta, while the Phillips Foundation is seeking to catalyze impact investing in North Carolina and Texas through live convenings and an online Impact Investing Think Tank.™ The San Joaquin Valley Impact Investment Fund and Invest Appalachia are regional investment funds.

GIA hopes the GIA Guide reveals impact investing as both a national trend and a significant member opportunity. GIA seeks to share learning, support services and co-investment opportunities with the range of institutional and individual investors interested in building communities that promote healthy aging for all. We hope that the opportunity to do so is of interest to foundations, other impact investors and intermediary partners, whether expressly focused on healthy aging or pursuing aligned missions.

GIA invites interested investors of all sizes, types and levels of experience with impact investing to join our join our [contact list](#) for updates on GIA impact investing news and events. For further information, please contact info@giaging.org.

GIA believes that philanthropy can achieve more when funders learn and work together. GIA is exploring ways to help members learn about and implement healthy aging-focused impact investing strategies.

SECTION VII: RESOURCES

The GIA Impact Investing Resource Bank curated by Avivar Capital is a collection of articles and websites with helpful information for all aspects of designing and executing an impact investing or broader SRI-ESG program.

MEMBERSHIP ORGANIZATIONS

As You Sow	A nonprofit harnessing shareholder power to create lasting change that benefits people, planet, and profit.
Confluence Philanthropy	A group available to foundations, grantmakers, and individual donors who want to participate in and/or accelerate the field of mission-related investing.
Council on Foundations	An association of grantmakers of all sizes that shares tools, resources, and opportunities to increase impact and advocacy in philanthropy.
Global Impact Investing Network	A nonprofit organization dedicated to increasing the scale and effectiveness of Impact Investing around the world.
Intentional Endowment Network	Non-profit peer-learning network that aims to support the development of intentionally designed endowments.
Interfaith Center on Corporate Responsibility (ICCR)	A coalition of over 300 global institutional investors leveraging their equity ownership to press companies on environmental, social and governance issues.
Invest for Better	A nonprofit campaign helping women engage in Impact Investing, take control of their capital and mobilize their money.
Mission Investors Exchange	The leading network for foundations seeking to grow and deepen their Impact Investing practice.
Social Venture Circle	The world's largest and most active early stage Impact Investing network.
The ImPact	A member network inspiring families to make more impact investments more effectively through their collaborative.
Tonic	A global action community for impact investors serving individuals, family offices, foundations and funds.
USSIF	A collaborative network of investors, advisors, funds and community organizations committed to ESG investment practices.
Wisconsin Impact Investors Collaborative	An impact investment collaborative sponsored by Wisconsin's professional membership association for grantmakers from across the state.

GLOSSARY

[Impact Investors Glossary](#)

A comprehensive list of terms used in the impact investing field.

FIDUCIARY RESPONSIBILITY AND REGULATIONS FOR IMPACT INVESTING

[IRS Program-Related Investments Guide](#)

IRS definition and examples of Program Related Investments.

[MacArthur Foundation: Legal and Exempt Organizations Tax Aspects of Impact Investing](#)

An overview of the laws applying to 501(c)(3) organizations when making or receiving Program Related Investments.

[MacArthur Foundation: Legal and Policy Issues for Impact Investing](#)

A report on the legal and governance frameworks surrounding Mission-Related Investments.

[Mission-Related and Program Related Investments for Private Foundations](#)

An overview of the definitions and legal criteria for PRIs and MRIs .

[Opportunity Zone Mapping Tool](#)

An interactive tool for exploring designated Opportunity Zones.

[UNPRI: Writing a Responsible Investment Policy](#)

A tool for asset owners who would like to develop a responsible investment policy.

INNOVATION IN IMPACT

[Omidyar Network: Across the Returns Continuum](#)

Omidyar's framework for investing across the returns continuum, from fully commercial investments to philanthropic grants.

[Omidyar Network: Moving Beyond the Tradeoffs](#)

An evaluation of the implied tradeoffs in Impact Investing between social and financial returns.

[Omidyar Network: Priming the Pump](#)

A report on how Impact Investing can be used to scale entire industry sectors, in addition to individual firms.

[Kresge Foundation: Guarantees a Needed Part of Community Development Infrastructure](#)

Reflections on why guarantees are needed to drive community development investing by Kresge Foundation's Managing Director of the Social Investment Practice.

[Kresge Foundation: Making "Cents" of Guarantees](#)

Reflections on the risk-adjusted returns of guarantees by Kresge Foundation's CIO.

FINANCIAL PERFORMANCE OF SOCIAL INVESTING

Scaling the Use of Guarantees in U.S. Community Investing	An overview of guarantee practices in U.S. community development-focused impact investing.
ESG and Financial Performance: Aggregated Evidence	A meta study of over 2,000 studies on the business case for ESG investing.
GIIN Annual Impact Investing Survey (2020)	A report with a detailed look at industry trends, asset performance and impact measurement.
GIIN's Real Assets Financial Performance Report (2017)	An analysis of the financial performance of real assets funds in timber, real estate and infrastructure.
How and Why SRI Performance Differs from Conventional Strategies	A study on the differences in SRI and non-SRI domestic equity mutual fund performance.
ESG and Financial Performance	Uncovers the Relationship by Aggregating Evidence from 1,000 Plus Studies Published between 2015 – 2020.
ESG Global Study 2022	Describes how investors are taking a holistic approach as they look to comprehensively embed ESG into the investment process.
Yes, Investing in ESG Pays Off	Examines constraints in the decision-making process that slows corporate embrace of ESG.
Why ESG ratings vary so widely (and what you can do about it)	MIT Analysis provides useful insight into the limitations of ESG rating methodologies.
Morgan Stanley's Sustainable Reality	An overview of the financial performance of different sustainable investment strategies.
Morningstar Sustainable Funds U.S. Landscape Report	An evaluation of the growth, performance and strategies of ESG Funds.
Nuveen TIAA's Responsible Investing Report	A report on the performance of Responsible Investing compared to broad market indices.
From Stockholder to Stakeholder	A case for how ESG investing can drive financial outperformance.
Is Socially Responsible Investment Outperforming Conventional Investment	A meta-analysis of over 100 academic studies on sustainable investing.
UNEP's Demystifying Responsible Investment Performance	An analysis of responsible investment performance and next steps for more in-depth academic and practitioner research on ESG factors.
UNPRI Practices in Private Equity	See also a 2011 overview of responsible investment (RI) practices in private equity globally.
USSIF Sustainable, Responsible and Impact Investing (2022)	A resource providing information on broad trends and financial and social performance of Impact Investing.

DIVERSITY, EQUITY AND INCLUSION IN IMPACT INVESTING

Mission Investors Exchange Resources: Diversity & Asset Management	A compilation of reports on diversity in the capital markets.
Designing Economic Democracy	A whitepaper about Ujima’s community-allocated investment strategy.
Flipping the Power Dynamic	An assessment of how diversity in entrepreneurship impacts investment outcomes.
Knight Diversity of Asset Managers Research Series	Studies of ownership diversity and performance in the asset management industry.
Moving Toward Gender Balance in Private Equity and Venture Capital	An examination of the underrepresentation of women in alternative market management.

SOCIAL METRICS FOR IMPACT

Acumen Fund Concepts	An overview of Acumen Fund’s approach to quantifying an investment’s social impact and comparing it with existing charitable options for that explicit social issue.
B Lab	A nonprofit that issues B Corp Certification, administers the B Impact Management programs and advocates for benefit corporations.
Harvard Law School ESG Global Study	Using proprietary research and fundamental analysis, active managers can bypass the problems created by superficial scoring systems and a lack of consistent and reliable data.
Impact Management Project	A forum for building global consensus on how to measure, report, compare and improve impact performance.
Building an Impact Practice	Global Impact Investors Network guide to define and put into practice common standards and norms for integrating impact considerations into investment management.
IRIS +	An interactive tool and resource bank for increasing accessibility, clarity and comparability for impact metrics.
PWC’s Total Impact Measurement & Management	A framework for valuing non-financial impacts and identifying opportunities that have a positive impact on society.
SASB Industry Standards Implementation Guide	A guide for using the Sustainable Industry Classification System (SICS) to group companies based on shared sustainability risks and opportunities.
Toniic E-Guide to Impact Measurement	A report focusing on why and how impact investors can increase the value of information about impact.



PLACE-BASED IMPACT INVESTING

[Urban Institute: Mapping and Assessing Local Capacities for Place-Based Impact Investing](#)

A brief illustrating the value of mapping to support place-based Impact Investing (PBII) collaboration.

[Urban Institute: Place-Based Impact Investing Ecosystems](#)

An overview of approaches and examples to build a PB ecosystem and share practitioner lessons for igniting collaboration.

[W.E. UpJohn Institute's Building Share Prosperity Report](#)

An evaluation of various place-based strategies and their success contributing to overall community prosperity.

SHAREHOLDER ENGAGEMENT

[ICCR's Proxy Resolutions and Voting Guide](#)

A guide to ICCR member-sponsored resolutions for corporate proxies.

[As You Sow's Proxy Voting Guidelines](#)

A guide for corporate shareholders to align their ESG principals with their voting.

NEWSLETTERS

[Aperio Group](#)

A blog covering market research and regulatory developments around Impact Investing.

[Case Foundation](#)

Regular blog posts about the latest trends in social change and key milestones in Impact Investing.

[Impact Assets](#)

Issue briefs that explore topics of interest to impact investors, wealth advisors and others active in the field of impact investing.

[ImpactAlpha](#)

A podcast and blog about news and developments across the Impact Investing sector.

[Mission Throttle](#)

A journal with covering stories, insights, and observations from the field of Impact Investing.

[United Nations Principals for Responsible Investment](#)

Guides, case studies, webinars and events to inform investors how to incorporate ESG considerations into investment decision-making and ownership.

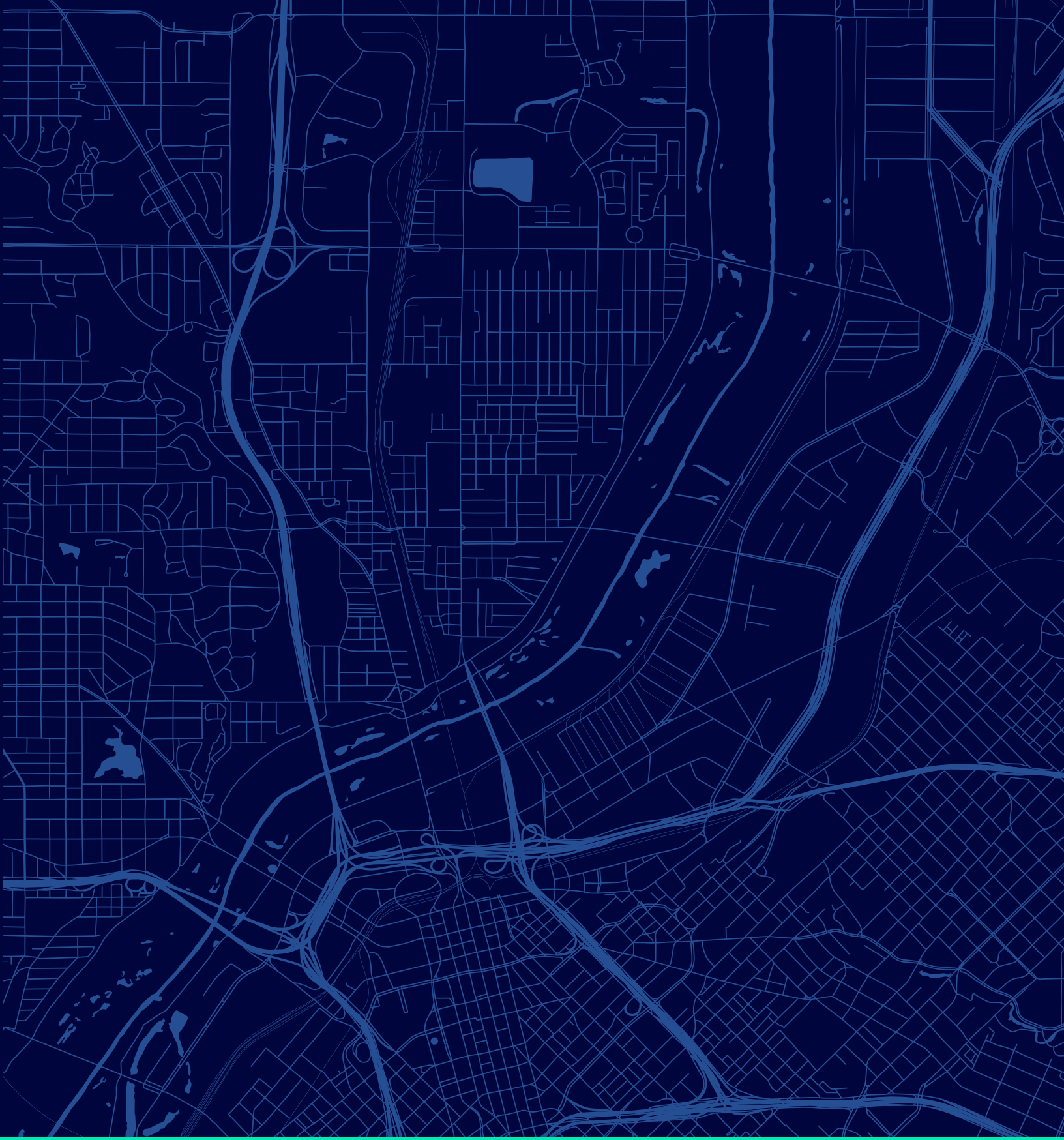
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A publication of Grantmakers In Aging (March 2023)



Writing and editorial support:

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and Elliot Walker of SCP

Graphic design:

MarcCardwell.com