THE BIG SOCIETY FINANCE FUND

INVESTING FOR THE GOOD OF SOCIETY

Why and How Wealthy Individuals Respond

Antony Elliott, The FairBanking Foundation

Ipsos MORI
thefairbanking foundation
NESTA Making Innovation Flourish

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ABOUT THE SERIES

This publication is one in a series of three that sets out what we have learned about the social investment market through the Big Society Finance Fund – its current nature and its potential for growth.

Also in the series:

Understanding the demand for and supply of social finance, New Philanthropy Capital

Twenty Catalytic Investments To Grow The Social Investment Market, NESTA

FOREWORD

One of the most pressing questions facing a developed country like the UK is how to put our considerable resources to work in innovative ways to address major social challenges.

These challenges, from social exclusion to long-term ill-health, and from demographic change to climate change, are growing. But the ability of our public services and civic society to respond is too often constrained by straitened public finances or by institutional inertia.

There is widespread agreement that innovative approaches hold the key: shifting our efforts from treatment to prevention, and replacing central control with the energy of empowered citizens and communities.

Social investment can help us achieve this. By financing new approaches, increasing the diversity of provision, and allowing money to be diverted from the symptoms of social problems to their causes, it helps innovation take root.

The government's enthusiasm for social investment, exemplified by their establishment of the Big Society Bank, is to be welcomed. We are excited to see the realisation of a project envisaged 11 years ago when the Social Investment Task Force began its ground-breaking work.

The Big Society Finance Fund is a practical contribution to this project. Working with Panahpur and UnLtd, two of the UK's leading social investment charities, we have constructed a portfolio of pilot investments to demonstrate the kind of products and services that a thriving social finance sector could enable. Alongside the portfolio, we are publishing two substantial pieces of research, looking at UK investors' interest in social investment, and the demand for finance among social enterprises and the organisations that serve them.

We hope that the Big Society Finance Fund, through its portfolio of projects and research base, offers a helpful practical contribution to the development of the UK's social investment market.

As always, we welcome your thoughts.

Stian Westlake
Executive Director of Policy and Research, NESTA

April 2011

EXECUTIVE SUMMARY

This report takes three different approaches to identifying how the mass affluent (defined as individuals with investment assets between £50k and £1 million) may respond to social investment products:

1. **Key drivers** – regression analysis has been used to identify statistically significant drivers of the likelihood of investing in social/ethical/ community investments.

2. **Product testing** – four products (charity bond, community business share issue, social enterprise property fund and social investment fund) were presented to the interviewees and a battery of questions were asked to gauge reaction. The reactions were analysed to identify statistically significant differences in the appeal of these products to different types of consumers.

3. **Motivations** – questions about motivations for making social investments were developed based on the findings of the qualitative research. The responses of the survey sample are clustered to identify other interviewees responding in a similar way. These clusters are subsequently examined to see how they respond to the products and labelled accordingly. The clusters labelled 'active interest' and 'passive interest' are particularly interesting in terms of identifying motives for social investment.

This report presents compelling evidence from quantitative research, which when combined with earlier qualitative research,[1] shows that many of the more affluent wealthy individuals (over £100k of investment assets) can be motivated to try social investments. A combination of research approaches reaches the conclusion that the primary motivator for this group is 'social/ethical values'. They are motivated by a desire for wealth to achieve a social good as well as have the potential to produce a return. There would be most interest from this group in the social enterprise property fund and the social investment fund. They like the idea that social investment will see their money recycled and make charities/social enterprises more business-like. The potential for a lower return or for the need for social enterprises to work with government are not a barrier to involvement. The overwhelming motivation for becoming a social investor is that, as with other parts of their lives, their wealth should have a positive impact on society.

The report has more reservations in its conclusions on those with investment assets between £50k and £100k. The evidence in this report shows that the drivers are not homogeneous within this segment. Key drivers relate to demographic and situational factors to do with age, having children at home and how the individual feels about their financial situation. There is a desire for novelty and newness, which is not related to social good. Overall there is a sense that many of these potential social investors are not particularly happy with their current financial situation. The charity bond and community business share issue would generate greater interest among this group. However, a product provider should be cautious, as the evidence is that there is complexity in relation to the diverse motivations of this group. In particular, the need for control over the specific charities/social enterprises benefiting and some lack of trust that social good will result. These issues mean that social investment products for this group are more difficult to present appropriately. Further research and product testing will be important to ensure there is not a mismatch of expectations between the product provider and this less affluent group of potential social investors.

RESEARCH METHODOLOGY

A study of qualitative and quantitative joint research into social investment was commissioned by NESTA.

The study had two stages: Stage 1 was a qualitative study to obtain the initial knowledge of the types of individual and products that are likely to be important in the growth of the market for social/community investments. This stage comprised 26 in-depth interviews with investors with more than a million pounds of investment assets and existing social investors, and three extended focus groups with the mass affluent. The fieldwork period was between mid November 2010 and mid December 2010. An interim report was published by NESTA in February 2011.[2]

Stage 2 was a quantitative online study with a sample size of 505 respondents having investment assets of £50k to £1 million. The survey was conducted by using an online questionnaire based on the findings of the qualitative stage. Four concept products were tested in this stage, which had been refined following the qualitative research. Quotas were set on asset amounts and age, to make sure that a representative sample of mass affluent investors was achieved. The fieldwork period was between end of January 2011 to the beginning of February 2011. The quantitative study itself has been divided into three sections: regression analysis to define the characteristics of the mass affluent with respect to interest in social investment (see Appendix 5), the testing of four product concepts and cluster analysis (see Appendix 6) to define consumer segments in terms of the motivations.

What is social investment?

The UK is facing new and changing social challenges like climate change, an ageing population, and chronic health problems. These challenges are leading to increased demand and higher cost in public service delivery.

The UK needs to find innovative ways of delivering public services and addressing our pressing social needs. Future services will need to prevent rather than respond to problems, and will need to draw on the experiences of innovative civil society organisations, social enterprises and other non-traditional providers of public services to do this.

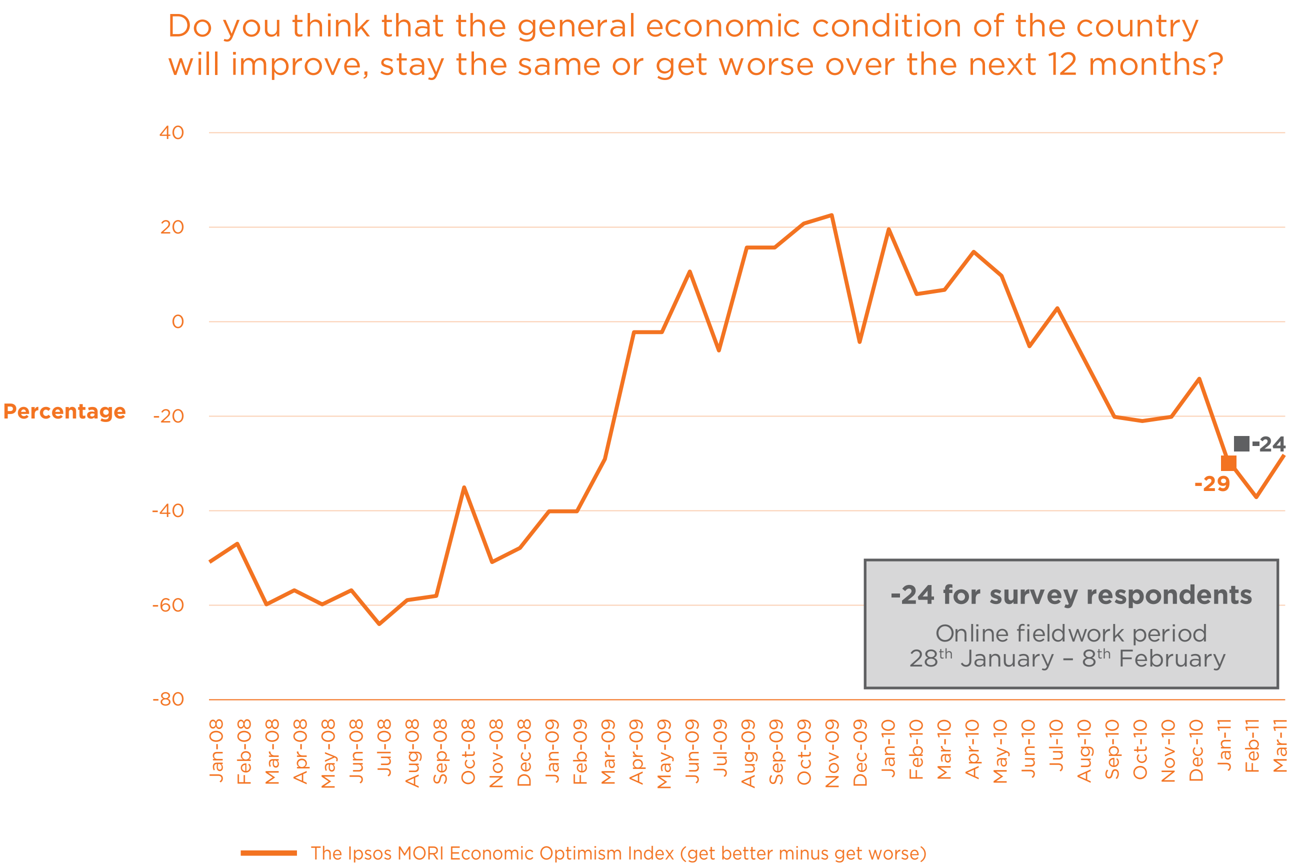
Like commercial businesses, social enterprises, charities and community organisations need to be able to access finance and investment to deliver and grow their services. Social investment is using money to finance these organisations, aiming to achieve a social benefit and modest financial returns in the process.

Economic Background

This research is being conducted at a time of economic uncertainty. In particular, the government is in the process of implementing significant cutbacks. Many individuals during the qualitative phase of the research drew a connection between the interest in social investment and the planned reduction in government expenditure. A question was asked in the survey to give a sense of how the economic confidence of mass affluent investors compared with the general population in January/February 2011 at the time of the survey.

Forty-five per cent of mass affluent investors considered the general economic condition would get worse in the next 12 months, 21 per cent that it would improve and 31 per cent that it would stay the same. Ipsos MORI uses these responses to create an index of Economic Optimism (measured as the percentage who think the economy will improve less the percentage who think the economy will worsen), which is calculated monthly for a representative sample of the GB population. Figure 1 shows that the -24 score is slightly better than that of the general population at around -29. Although this is significantly better than during the recession, it shows that the survey was conducted at a time when the overall sense of economic optimism is relatively low.

Figure 1: Economic Optimism Index



Ipsos MORI EOI Base: c. 1,000 British adults each month

Source: Reuters/Ipsos MORI Political Monitor

CONTENTS

PART 1:
INVESTING TO HELP SOCIETY – WHO WANTS TO DO THIS?

The quantitative research study was undertaken among individuals with wealth available to invest in portfolios of between £50k and £1 million. This group is described in this piece of research as the mass affluent.

The data (see Appendix 1 for summary) showed significant differences between individuals with £50k to £100k of investment assets and those with between £100k and £1 million. There are demographic differences between these two groups, but there are also many differences in the key factors that drive the initial interest in investing in a way that may benefit society. (Appendix 5 gives an explanation of the statistical techniques used to derive these key drivers.) For these reasons, the two sub-segments have been reported separately in this report. Later in the report it will be shown that those with investment assets of between £100k and £1 million are more appropriate to provide the type of risk capital that many social enterprises/charities require.

The statistically significant influences have been derived from responses to two questions for both those with £50-£100k and £100-£1 million of investment assets:

1. *How likely would you be to invest in a financial product that, as well as giving you a comparable return on your money, has a positive impact on society, helps a good cause or has other ethical or beneficial effects? (An interest in investing in a way that benefits society.)*

This question has been carefully worded so that potential investors are not being asked to sacrifice return in order to achieve a social outcome.

2. *How satisfied would you say you are with your overall financial circumstances? (Financial wellbeing.)*

Question 2 is one of several questions asked that relate to financial wellbeing. This is an opportunity to gain a greater understanding of drivers of financial wellbeing for the mass affluent with a view to understanding what role social investment may play in increasing financial wellbeing in the UK population. If there is or could be a connection, it could influence the way in which social investment is presented to potential social investors. For wealthy individuals, the investment portfolio is likely to influence their overall financial wellbeing.

1.1 Investors with between £100k and £1 million of investment assets

The key characteristics of this group compared with the group with £50k-£100k of investment assets are:

- *Older* – more likely to be over 55.
- *Life satisfaction, financial satisfaction and financial wellbeing* – more likely to score highly.

1.1.1 What will drive these people to invest with a social objective?

Social/Ethical Values

The attitudinal statements that contribute to social/ethical values are illuminating. They are:

- "When investing, I would like my money to do some good as well as provide me with a return".
- "My investment portfolio reflects my ethical values".
- "I like to be involved in local community activities".

In this survey around one-third of the population agreed with each of these statements, which suggests that there is a substantial opportunity for investment products that appeal to those with ethical values.

Table 1: Significant drivers of likelihood to invest with social/ethical purpose

Regression Variables (£100k+ asset group)	Relative contribution
The extent the respondents agree with these three statements (labelled 'Social/Ethical Values'): • When investing, I would like my money to do some good as well as provide me with a return • My investment portfolio reflects my ethical values • I like to be actively involved in local community activities	65%
Age of the respondents	35%

Figure 2 illustrates the higher likelihood of investing in a product with social/ethical content when an interviewee tends to agree with the statements that define an individual's 'social/ethical values' and vice versa.

Interest in investing with a social purpose is consistent with their ethical view reflected in community action and a desire for money invested to achieve a purpose beyond return. Later in the report we explore further what motivates investors to become involved, i.e. to participate in the social investment market. *For the wealthier mass affluent, it is already clear that they are putting their social/ethical values into action.*

Figure 2: Social/Ethical Values – a driver of social/ethical investment (over £100k investments)

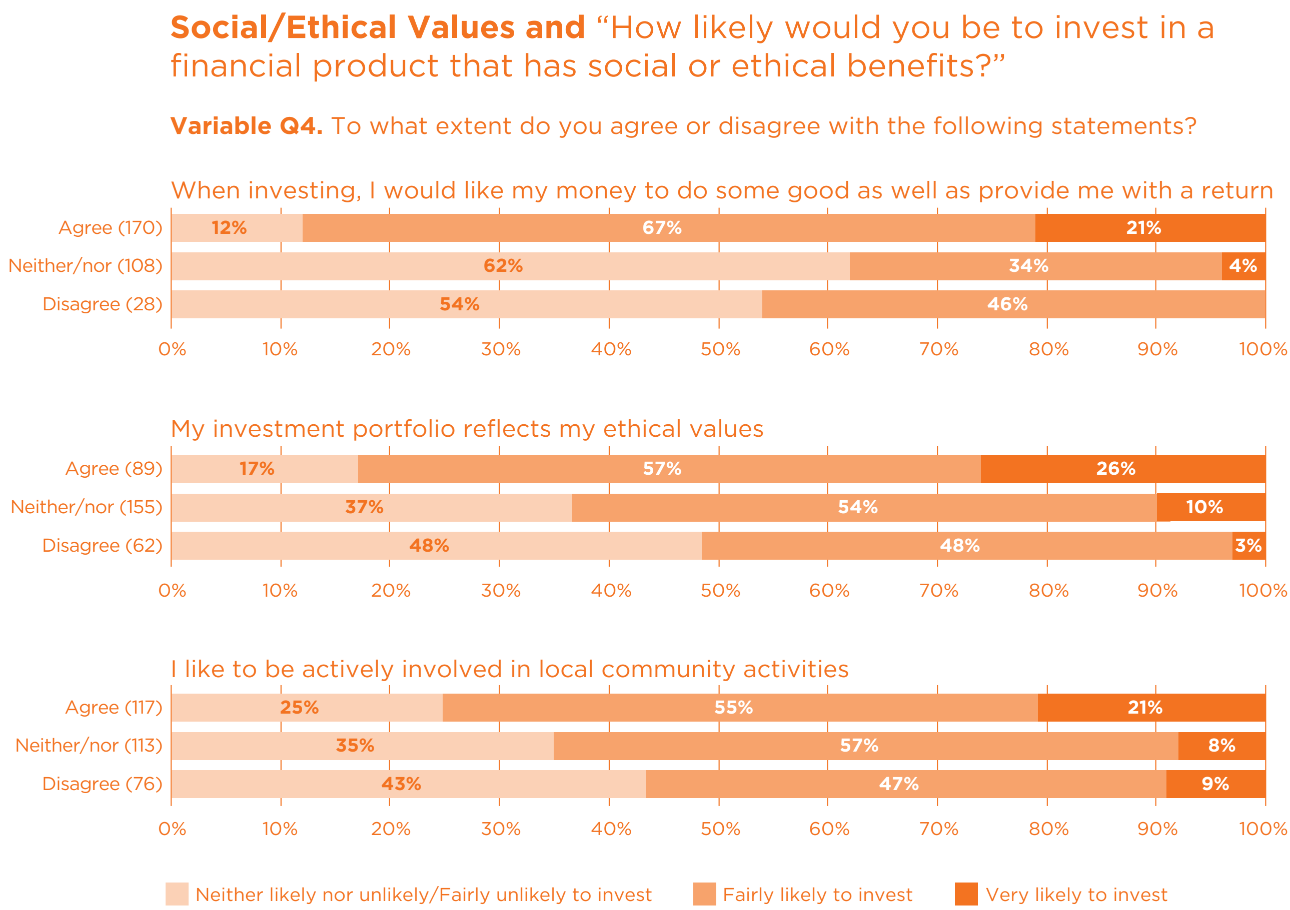
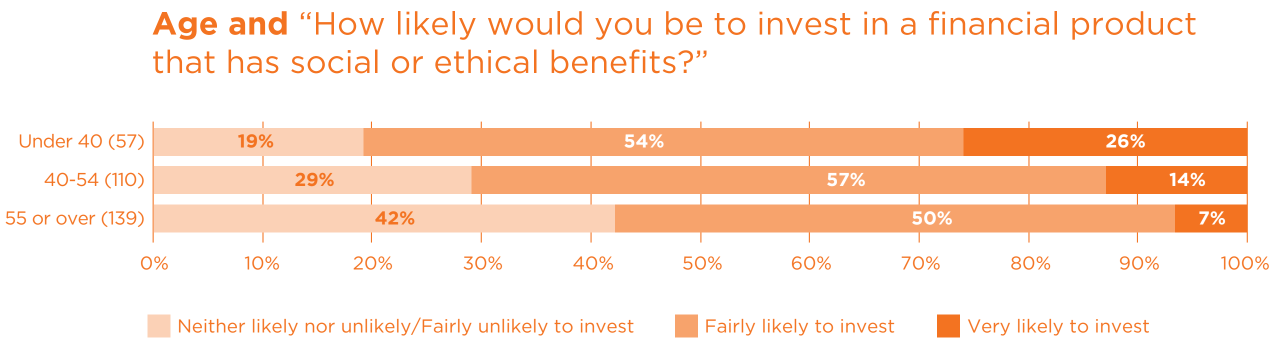


Figure 3: Age – a driver of social/ethical investments (over £100k of investments)



Age

Importantly, younger wealthy mass affluent investors are more likely to invest with a social purpose. Figure 3 illustrates the significance of age on likelihood to invest.

This seems to be likely to be influenced by changing financial goals. The under 40s are likely to have goals relating to family financial security, quality of life, retiring early and supporting children's education. For the over 55s, financial goals are entirely dominated by enjoying life after retirement without having to worry about income. Another factor interrelated with age is having children. Having children under the age of 18 living at home increases the likelihood of considering investment with a social purpose. Is this because the presence of the young people encourages us to think about future generations? Further research would be required to understand more fully the reason for age being important.

Whatever the reason, for those that are fortunate enough to be among the wealthier mass affluent, a more positive reaction will come from those investigating investments with a social purpose earlier in life.

1.1.2 Drivers of Financial Wellbeing and the role of Social Investment

There are only two statistically significant influences driving the answer to the question as to how satisfied a person in this group is with their overall financial circumstances.

A. Satisfaction with how investments are meeting financial goals

This variable is more than twice as important compared with the other influence (satisfaction with knowing where your money is ultimately invested – see below).

All respondents had at least one of the following five goals shown in Table 3.

The findings show that financial wellbeing involves knowing whether the current range of investments is meeting these goals. Given the enormous importance of these goals, it will be important to present social investment in such a way as to either assist with meeting these goals or at least not make their achievement significantly less likely. This is particularly important if social investment is viewed as part of an investment portfolio by a potential investor as opposed to philanthropy or a

Table 2: Significant drivers of financial wellbeing

Regression Variables (£100k+ asset group)	Relative contribution
How satisfied are you with how your investments are meeting your financial goals?	71%
How satisfied are you with your current range of investment product in terms of knowing where your money is ultimately invested?	29%

Table 3: Financial goals (over £100k of investment)

Enjoy life after retirement without having to worry about income	87%
Support my child(ren)'s education	26%
Make sure I (and my family) are financially secure	73%
Improve my quality of life	57%
Save enough money to retire early	34%

new activity. *The potential social investor may need to be helped to achieve the goal of using wealth for a social purpose without having a sense of reducing the likelihood of achieving the important financial goals contained in Table 3.*

B. How satisfied are you with your current range of investment products in terms of knowing where your money is ultimately invested?
Although less important than the previous factor, nonetheless, it would add to financial wellbeing if an investor is satisfied with the ultimate investment. This is an interesting variable to be significant, as the implication is that products that are opaque as to the ultimate investments in a portfolio are likely to be unhelpful for the wellbeing of this group. It seems likely to be the case that, for some investors, having social/ethical products in the portfolio will increase the wellbeing that the portfolio generates. *Giving the social investor a real sense of understanding the ultimate social enterprise/charity that is using the funds and how the money is being used is likely to help improve financial wellbeing.*

1.2 Investors with between £50k and £100k of investment assets

The key characteristics of this group compared with the group with more investment assets is that they are:

- *Younger* – more likely to be under 40.
- *Life satisfaction, financial satisfaction and financial wellbeing* – more likely to score low.
- *Investing with social impact* – expressed greater interest in doing so.

Table 4: Significant drivers of likelihood to invest with social/ethical purpose

Regression Variables (£50-£99k asset group)	Relative contribution
Age in combination with family (see below)	20%
Family (having kids under 15 years old at home)	17%
Satisfaction with overall financial circumstances	14%
Discretionary expenditure enabling you to "live your life"	9%
The extent the respondents agree with these three statements: • I like to investigate new investment opportunities and products • I like to be one of the first to take out new products/services and try new things • I am very interested in financial matters	9%
Current personal financial goal as 'Enjoy life after retirement without having to worry about income'	8%
Satisfaction with the investments meeting the personal financial goals	8%
Level of knowledge about investments that also offer ethical, community or social benefits	8%
Charitable Ratio (charity donation over the past 12 months divided by gross annual household income)	7%

1.2.1 What will drive these people to invest with a social objective?

There are many more factors for the less wealthy mass affluent group that lead to them being likely to invest with a social purpose. There are eight factors, compared with the two for the group with a higher level of investable assets. These being:

1. *Age (with children)* – those with children at home become less likely to invest socially/ethically as they get older.
   Age (without children) – those without children at home are more likely to invest socially/ethically as they get older (i.e. over 40).
2. *Financial satisfaction* – the greater the level of satisfaction with overall financial circumstances, the more likely to be an investor.
3. *Discretionary expenditure enabling you "to live your life"* – more likely if have lower level of discretionary expenditure (difficult to interpret).
4. *Early adopter* – the more a person is interested in exploring new investments, the more likely they are to invest.
5. *Having financial security in retirement as a goal* – the more that this long-term financial goal is present, the more likely to engage with social/ethical investments.
6. *Portfolio meeting financial goals* – if their investment portfolio does not meet their financial goals, the more likely they are to invest.
7. *Know about social/ethical investments* – the more the person feels they know, the more likely they are to invest.
8. *Giving to charity as a proportion of income* – a generous charitable giver is more likely to consider investing.

Age and children at home

This is the most important factor, and its relationship with likelihood to invest socially/ethically is complex. It relates to life stage, but also points to the importance of individual situations. For those with children at home, it is possible that a desire to invest socially/ethically when younger is overtaken by other factors as they and their children age. The amount of investment assets is not particularly substantial among this group, especially when taking into account educational, accommodation and other needs of children as they become older.

For those without children at home, the social/ethical investment becomes more possible to consider. It is difficult to explain the reasons for this phenomenon from the statistics. However, its importance may mean that greater understanding of the psychology of investing with a social purpose should be studied further. This will depend on whether the specific group of investors is key to the development of social investment.

Financial satisfaction

Scoring high in terms of satisfaction with overall financial circumstances may give people the confidence to explore social/ethical investments. The group of those with investable assets of £50k-£100k as a whole has lower levels of financial satisfaction than the group with more investment assets.

Figure 4: Overall financial satisfaction – a driver of social/ethical investment (under £100k of investments)

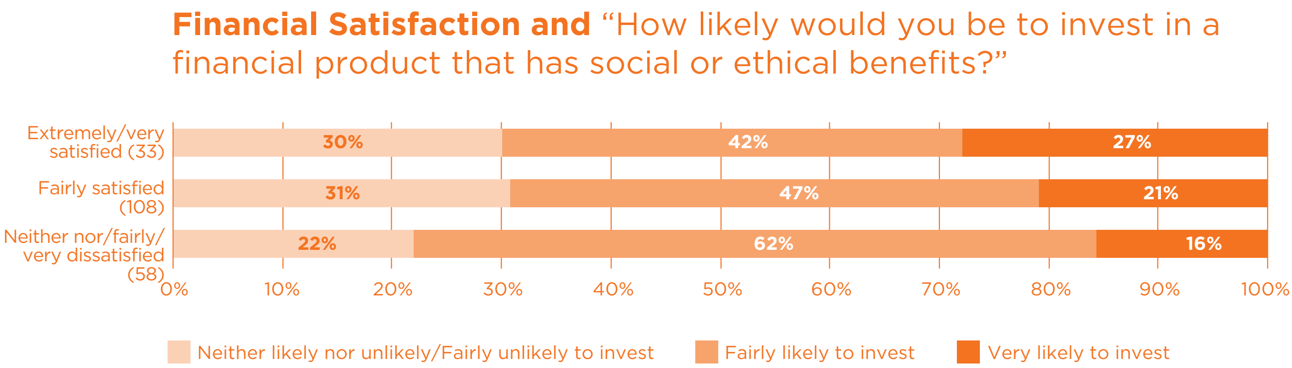
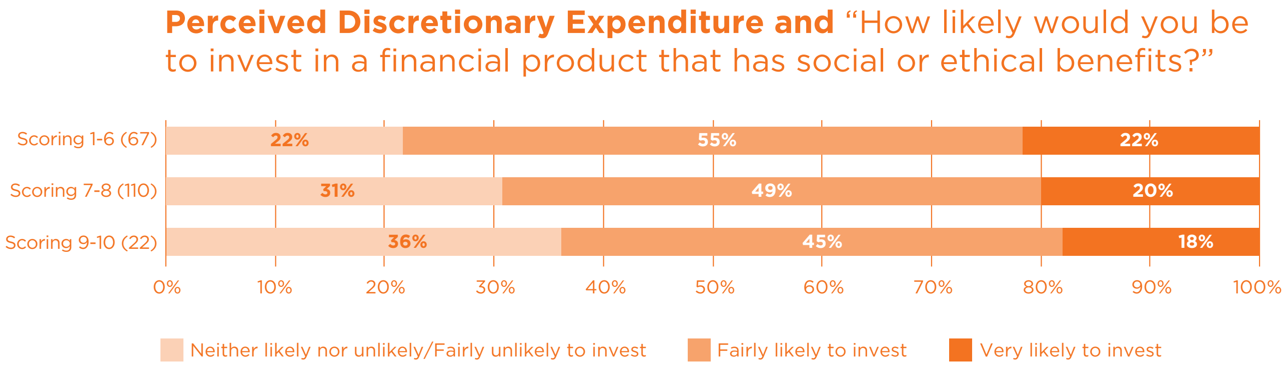


Figure 5: Perceived available discretionary expenditure – lower discretionary expenditure a driver of social/ethical investment (less than £100k of investments)



In order to achieve high levels of overall financial satisfaction there is an implication that an individual has achieved a certain level of control over their finances (see earlier research into financial wellbeing[3]). It seems likely that this has allowed the person to consider broader issues such as ethical and social investment.

Discretionary expenditure available "to live your life"

The research indicates that for this population, the higher their discretionary expenditure, the less likely they are to consider social/ethical investment. This is driven by those who feel that they have a lower level of discretionary expenditure more likely to be on incomes below £55k p.a. Their dissatisfaction appears to manifest itself in a desire for investments with a social/ethical component. The implication is not intuitive in that for those with relatively low investment assets (£50k-£100k) who feel that they have high discretionary expenditure, concerns for society are less high than among those who feel they have lower discretionary income.

This is the most difficult piece of data to interpret; it would require personal interviews with individuals in the segment to understand the driver of the interest in social investment.

Early adopter

'Early adoption' is a factor, derived from three attitudinal statements, with which individuals are more likely to agree.

- I like to investigate new investment opportunities and products.
- I like to be one of the first to take out new products/services and try new things.
- I am very interested in financial matters.

This influence is positive in that the novelty of social/ethical investments is an attraction. However, this is in contrast to the group with larger investment assets who are interested in these products because of their ethical values, rather than their 'newness'.

Having a goal to retire with financial security

The goal-based variable that is significant is having a goal to "enjoy life after retirement without having to worry about income". Investors with this attitude will be taking a more long-term view on the investment portfolio. They are more likely to want it to be doing some social/ethical good at the same time as producing a return (as a secondary goal).

Financials goal not being met by existing portfolio

The implication of this variable is that some investors are seeing some connection with greater social/ethical investment and the portfolio meeting their financial goals. Possibly one goal is that more investments should have social/ethical content than is currently the case with their existing portfolio.

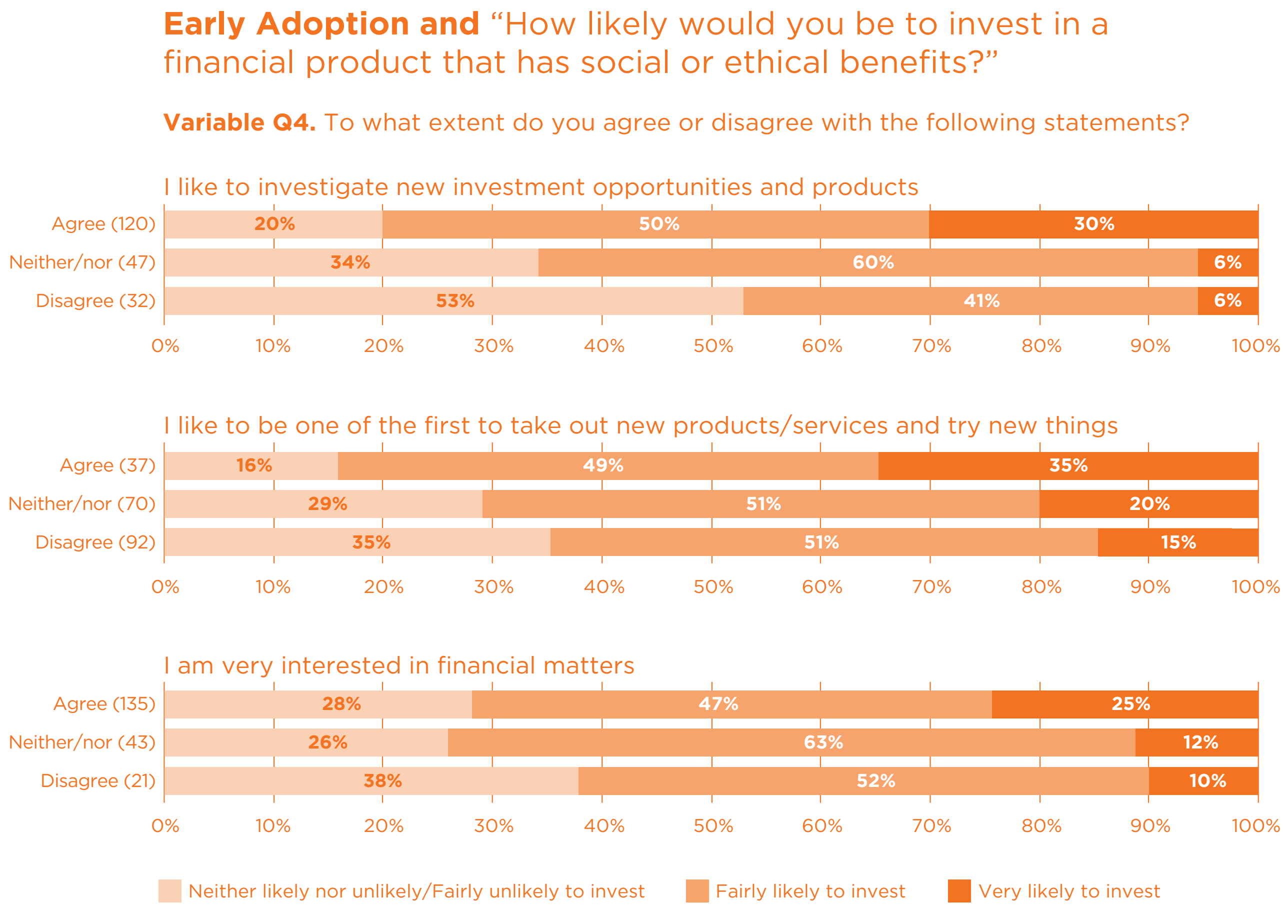
Know about social/ethical investment

This may seem an obvious point, but knowledge does not always lead to a desire to get involved. In this instance, greater knowledge is leading investors to be more inclined to consider taking up a social/ethical investment.

Charitable giving as a proportion of gross income

This had the smallest contribution of the large number of factors that were statistically significant. Again, it is noteworthy that this factor

Figure 6: Early adopter – a driver of social/ethical investment (less than £50k of investment assets)



features for the relatively low investment asset group, while not being significant for the higher investment group. As the social/ethical values factor does not feature as a driver for this group, this is the only factor that indicates an altruistic motivation for them when considering social/ethical investment.

Drivers of financial wellbeing and the role of social investment

When considering the financial wellbeing of this wealth segment, the only factor of significance from the survey is satisfaction with how the investment portfolio is meeting financial goals. This factor is shared with the more affluent group. There are no significant differences with the goals of the more affluent group described in Section 1.1.2 other than a greater emphasis on "saving enough money to retire early". The implication for social investment is the same in that if it is viewed as part of an investment portfolio or a new kind of wealth deployment, investors need help to integrate with existing significant financial goals. It will be less easy to integrate because "social/ethical values" is not a primary driver for social investment for this group. "Knowing where money is invested" does not feature and this reflects a somewhat less sophisticated approach to financial management compared with the more affluent group.

This research did not find either the amount of wealth or of gross household income to be a driver of overall financial wellbeing for either group. This confirms recent research showing that beyond a relatively low level of income, increases do not engender higher levels of wellbeing.[4]

1.3 Conclusions on the key drivers for individuals to be social/ethical investors

1.3.1 Investors with between £100k and £1 million of investment assets

Within this group, there is a segment of individuals who clearly want their wealth to do some good as well as provide a return. Their ethical values could manifest themselves in existing decisions on their investment portfolio and/or by being involved in community activities.

Age will be an important factor in determining the likelihood of investing socially/ethically. Without speculating on the exact reasons, it is clear that investors in this category under 40 are more likely to show initial interest in social/ethical investment than those over 55.

It may be important to position social investment in the context of the financial goals of the individual. For example, the desire to act ethically may seem to be in partial conflict with "making sure my family are financially secure". Potential investors may need help to resolve this conflict. This could be achieved by separating a section of wealth for social investment purposes or deciding to reduce the overall return expectation from an investment portfolio. In addition, for this group it is important to be engaged with where their money is being invested ultimately.

1.3.2 Investors with between £50k and £100k of investment assets

The picture for the drivers of an interest in social/ethical investment is entirely different for this group. It is a much more confused story with many influences combining to create an interest in social/ethical investment. The drivers include age, having children, long-term and short-term financial wellbeing, being an early adopter, having the goal of a financially secure retirement, existing portfolio meeting financial goals, knowledge of social/ethical investment and charitable giving. The more of these characteristics an investor has, the more likely they are to make an investment.

There is an implication that the diversity of significant drivers will make it more difficult to determine what will lead to the investment. It also makes it a lot more difficult to position the investment so that it is entered into for the "right" reasons.

The drivers will almost be as significant for those that are not present. The lack of a factor relating to "social/ethical values" is a particular concern given that the key differentiator of a social investment is the social good that it engenders. Those that give more to charity will be more likely to be receptive, but this was the least important of the eight significant variables.

As with the wealthier group, the most important driver of long-term financial wellbeing is the extent to which they are satisfied their investments are meeting their financial goals.

The contrast with the more affluent group is that it is not as significant for their wellbeing to be engaged with the ultimate investments in the portfolio.

A lot of care would need to be taken with this group not to make assumptions about the reasons for their getting involved with social investment.

PART 2: TESTING FOR SOCIAL INVESTMENT PRODUCTS

The material to present to interviewees was developed during the course of three workshops and 26 interviews that provided qualitative information. The objective was to test four significantly different types of product all of which involved receiving a lower rate of return for the risk than would be expected from a standard investment product. In return for accepting a lower return the investor makes a contribution to a social good. The objective of the materials presented was to enable the interviewee to quickly gain a sense of the risk, return, liquidity, extent of engagement and the social/ethical benefits. This would enable comparisons to be made on these five dimensions to ascertain how likely the interviewee would be to invest. The questions were layered to gauge understanding, appeal, likelihood of investing and amount of investment. The data is summarised for each product in Appendix 2.

The following sections detail where the interest of groups of interviewees differed from the norm for each of the four products. It makes comment on where investors would go for further information. It comments on whether the investments are viewed as philanthropy, financial investment or a new activity. Finally, it discusses the response to tax incentives.

2.1 Charity Bond

Charity Bond

A household name charity (e.g. Barnardo's, Cancer Research UK, Dog's Trust, or Scope) is offering this bond.
It usually funds its important work from a mixture of public donations and some government funding; but its income can vary from month to month, whilst its costs are fairly consistent; that's why the charity requires finance to manage its cash flow.

Risk: Low risk – repayment is likely given the charity's long history but is not guaranteed

Return: Fixed return that is 1 per cent below a bank savings bond

Term: 3-5 years

Investment Range: £500+

Why is this better than donating money to the social business?

- The charity bond provides the charity with an alternative option to borrowing from the bank.
- Raising money from the charity bond means that the charity can maintain a consistent high quality service to its beneficiaries.
- It is not a replacement for donations that are still needed to fund the charity's work in the long term.

What's in it for the investor?

- You'll get a fixed annual interest payment.
- You can choose to donate the interest to the charity and claim gift aid on the donation – this can offer better after-tax returns to high rate tax payers.

The charity bond as presented to interviewees was well-understood with 85 per cent finding it at least fairly easy to understand. Forty-one per cent found it at least fairly appealing and 34 per cent said they would consider making an investment, subject to satisfactory answers to outstanding questions.

What did interviewees find appealing:

- **Investment return:** 39 per cent found the investment return appealing, despite it being 1 per cent below a bank savings bond.
- **Risk to capital:** 68 per cent found the "low risk" linked to the standing of the charity to be appealing.
- **Liquidity/access to capital:** 46 per cent found the 3-5 year term appealing.
- **Level of engagement with charity being invested in:** 75 per cent found this to be appealing based on the rationale presented.
- **Social, community or ethical benefit:** 79 per cent found the concept of supporting a charity in this way to be appealing.

There were not many statistical differences between different segments of the survey population:

- **Investment assets** – more likely to invest if £50-£99k and less likely if £300k–£1 million.
- **More likely to invest ethically** – this group found it easy to understand and liked the return, liquidity, level of engagement and social/ethical benefit.
- **Under 40s** – more likely to invest and relatively positive about all the features, including level of engagement and social/ethical benefit.
- **With children at home** – more likely to invest and particularly like the return, risk and liquidity.
- **Over 55s** – less likely to invest and in particular, tended to like less the liquidity/access to capital and the social/ethical benefit.
- **Rural** – social/ethical benefit was less appealing.
- **Time for charity** – those that give time find it appealing and are more likely to invest, and those that do not give time are more likely to take the opposite position. Those who are heavily involved in charity/community activities tend to find the investment return, risk to capital, level of engagement and the community/ethical benefit appealing. Those with no involvement in charity/community activity tend to find these aspects of the charity bond less appealing.

2.1.1 Amounts of investment

Of the 34 per cent at least fairly likely to invest, 85 per cent would invest up to £5,000. Investments ranged up to the £20k to £50k category.

2.1.2 Tax incentives

- **Gift Aid on the donation of interest:** 41 per cent thought this would encourage them to invest. Particularly liked by under 40s, those with children at home and/or giving time to charity/community. It was liked by those already likely to make a social/ethical investment.
- **Interest exempt from tax:** 71 per cent thought this would encourage them to invest. Importantly, all groups liked this incentive equally, i.e. this incentive would encourage some of the less likely to invest.

2.2 Community Business Share Issue

Community Business Share Issue

A local service, business or facility is raising investment from the community to improve its service to the community.
Examples include local leisure centres, local shops, and libraries; funds are needed to expand operations, or to stop services being sold or closed-down; shareholders become members of the organisation through a co-operative legal model, like John Lewis, and can vote on key business decisions.

Risk: A high risk investment linked directly to the success of the community business

Return: Typically an annual dividend worth 1-4 per cent of the original investment

Term: Typically 3–5 years, but capital may be withdrawable sooner

Investment Range: Minimum £50, maximum £20,000

Why is this better than donating money to the social business?

- This is a community business that needs investment to improve its service but is aiming to generate a modest return for its community investors.

What's in it for the investor?

- The community business is planning to pay an annual dividend to its investors.
- Investors may be able to sell their shares back at face value to the issuer.
- Investors can volunteer time in the business and of course become customers in order to help the business to succeed.

The community business share issue as presented to interviewees was well understood with 86 per cent finding it at least fairly easy to understand. Forty-two per cent found it at least fairly appealing and 32 per cent said they would consider making an investment, subject to satisfactory answers to outstanding questions. These responses are almost identical to the charity bond.

What interviewees found appealing:

- **Investment return:** 52 per cent found the investment return appealing, despite it being only 1-4 per cent of the original investment for a high risk investment.
- **Risk to capital:** 28 per cent found the "high risk investment" linked directly to the success of the community business to be appealing.
- **Liquidity/access to capital:** 40 per cent found the typical 3-5 year term with a possibility of withdrawing capital sooner to be appealing.
- **Level of engagement with community business being invested in:** 63 per cent found this to be appealing based on the rationale presented.
- **Social, community or ethical benefit:** 71 per cent found the concept of supporting a charity in this way to be appealing.

There were not many statistical differences in the groups:

- **Investment assets** – more likely to invest if £50-£99k and less likely if £200k–£1 million.
- **More likely to make social/ethical investment** – this group found it easy to understand and liked the return, risk, liquidity, level of engagement and social/ethical benefit. The reverse was true of those that indicated indifference for this type of investment.
- **Under 40s** – more likely to invest, more appealing, like risk, return, liquidity, level of

engagement and community/ethical benefit.

- **Over 55s** – less likely to invest and in particular, tended to like less the risk, return and liquidity/access to capital.

There is less polarisation of views between under 40s and over 55s on engagement and the community/ethical benefit.

- **Time for charity** – those that give time to charity were more likely to invest and, in particular, found the level of engagement and community/ethical benefit more appealing. Those with no involvement in community/ charity activity do not find the product appealing and do not like the investment return, risk, liquidity, level of engagement and find the community/ethical benefit less appealing.

2.2.1 Amounts of investment

Thirty-two per cent of respondents were at least fairly likely to invest. Investments amounts were spread between less than £500 and £20,000.

2.2.2 Tax incentives

- **The ability to offset any capital losses against tax bill up to a limit:** 34 per cent thought this would encourage them to invest. This incentive was particularly liked by under 40s, those with children, those with incomes above £105k and those more likely to make a social/ethical investment.

- **The interest or dividends you receive are exempt from income tax:** 59 per cent thought this would encourage them to invest. This incentive was equally liked by all groups, i.e. the implication is that this incentive may encourage some of the less likely to invest.

2.3 Social Enterprise Property Fund

Social Enterprise Property Fund

A professional property investment firm is raising investment to enable social enterprises to access fit-for-purpose premises. This will improve the delivery of services to people in need and generate reasonable returns for investors.

> *"Our Children's Centre owns a run-down building and we don't have the money to keep it in top condition. An ordinary bank would be unlikely to give us a loan to maintain our assets. This fund invests in businesses like ours who own property."*

Risk: Low risk – if necessary properties can be sold to repay investors' funds

Return: Aiming for 2-3 per cent below commercial property investment funds

Term: 5-7 years

Investment Range: Minimum £1,000

Why is this better than donating money to the social business?

- Money is managed by experienced property investors who can achieve the best value for money for social enterprises and investors.
- Social enterprises raising lots of small donations can miss out on the best property deals because fundraising is slow.

What's in it for the investor?

- The investment is low risk because commercial property can usually be sold to repay investors.
- The fund will publish details of all of the social enterprises it has provided investment to, and a report on the social impact the investment has created.

The social enterprise property fund as presented to interviewees was well-understood with 87 per cent finding it at least fairly easy to understand. Forty-one per cent found it at least fairly appealing and 30 per cent said they would consider making an investment, subject to satisfactory answers to outstanding questions.

What did interviewees find appealing:

- **Investment return:** 41 per cent found the investment return appealing, despite it being 2-3 per cent below commercial property funds.
- **Risk to capital:** 53 per cent found the "low risk" with properties being sold to repay investors to be appealing.
- **Liquidity/access to capital:** 29 per cent found the 5-7 year term appealing.
- **Level of engagement with social enterprise being invested in:** 60 per cent found this to be appealing based on the rationale presented.
- **Social, community or ethical benefit:** 66 per cent found the concept of supporting a social enterprise in this way to be appealing.

There were not many statistical differences in the groups, and no statistical differences by investment assets:

- **Income less than £55k p.a.** – less likely to invest.
- **More likely to invest ethically** – this group found it easy to understand, were more likely to invest and liked the return, risk, liquidity, level of engagement and social/ethical benefit.
- **Under 40s** – more likely to invest and liked the

return, risk and liquidity.

- **With children at home** – more likely to invest and liked the return, risk and liquidity.

- **Over 55s** – less likely to invest and in particular, tended to like less the return, risk and liquidity.

- **Time for charity** – those that give time find it appealing and those that do not give time are more likely to take the opposite position. This did not extend to the likelihood to invest. Those who are heavily involved in charity/community activities tend to find the level of engagement and the community/ethical benefit appealing. Those with no involvement in charity/community activity tend to find these aspects of the social enterprise property fund less appealing.

2.3.1 Amounts of investment

Of the 30 per cent at least fairly likely to invest, 54 per cent would be prepared to invest less than £5k, however, larger amounts ranged up to more than £100k.

2.3.2 Tax incentives

- **The ability to offset any capital losses against tax bill up to a limit:** 28 per cent thought this would encourage them to invest. This incentive was particularly liked by under 54s, those with children, those giving money frequently to charity/community and those more likely to make a social/ethical investment.

- **The interest or dividends you receive are exempt from income tax:** 54 per cent thought this would encourage them to invest. This incentive was equally liked by all groups, i.e. the implication is that this incentive may encourage some of the less likely to invest.

2.4 Social Investment Fund

Social Investment Fund

A fund to invest in growing social businesses that make profits and help meet social and environmental needs.
Example investments might include: Fairtrade businesses such as CafeDirect or Divine Chocolate; Community transport businesses such as HCT Group; or healthcare businesses such as a group of GP's surgeries. This is an investment in a fund managed by a well respected financial organisation. The fund chooses the social businesses to invest in to generate returns and help those businesses grow their activities and impact.

Risk: High risk – investment in growing but young businesses

Return: 2-3 per cent more than a bank savings account

Term: The investment can be traded via a stock broker

Investment Range: £10,000-£250,000

Why is this better than donating money to the social business?

- Social businesses take a commercial approach to tackling social and environmental needs, so investing in this way supports this discipline.
- Investing in such funds allows people who want to see their money do good allow their money to be managed by experts who can assess both financial performance and likely social impact.

What's in it for the investor?

- These funds are taking significant risks by investing in growth, but expect lower returns because of the social impact being created.
- The fund is part of a public investor information service providing regular audited information on financial performance and social impact.

The social investment fund as presented to interviewees was well understood with 85 per cent finding it at least fairly easy to understand. Forty-one per cent found it at least fairly appealing and 26 per cent said they would consider making an investment, subject to satisfactory answers to outstanding questions. This was despite the minimum investment being £10,000.

What did interviewees find appealing:

- **Investment return:** 66 per cent found the investment return appealing, it was described as 2-3 per cent more than a bank savings account, but the risk was described as high.

- **Risk to capital:** 22 per cent found the "high risk" appealing with investment in growing but young businesses.

- **Liquidity/access to capital:** 38 per cent found the traded nature of the investment to be appealing.

- **Level of engagement with social enterprise being invested in:** 59 per cent found this to be appealing based on the rationale presented of a commercial approach to tackling social and environmental needs.

- **Social, community or ethical benefit:** 67 per cent found the concept of supporting a social enterprise in this way to be appealing.

There were not many statistical differences in the groups:

- **Income less than £55k p.a.** – not appealing overall, not as likely to invest, risk to capital is relatively unappealing.

- **Income above £55k p.a.** – risk to capital relatively appealing.

- **£300k to £1 million of investment assets** – found the risk level relatively less appealing.

- **More likely to invest ethically** – this group found it easy to understand, were more likely to invest and liked the return, risk, liquidity, level of engagement and social/ethical benefit. The reverse was true on all components for the less likely to invest ethically demonstrating a real contrast in view.

- **Under 40s** – more likely to invest and liked the return, risk, liquidity, engagement and social/ethical benefit. Relatively more positive on the engagement and social/ethical benefit than on the social enterprise property fund.

- **With children at home** – more likely to invest and liked the return and liquidity.

- **Over 55s** – less likely to invest and liked less the return, risk, liquidity, level of engagement and social/ethical benefit.

- **Time for charity** – those with no involvement in charity/community activity found the social investment fund relatively less appealing, were less likely to invest and were less likely to find the risk, liquidity, engagement and social/ethical benefit appealing.

2.4.1 Amounts of investment

Of the 26 per cent at least fairly likely to invest, 65 per cent would be prepared to invest the minimum investment of between £10k and £15k, however, larger amounts ranged up to £50k-£75k.

2.4.2 Tax incentives

- **Can be held in an ISA:** 47 per cent thought this would encourage them to invest. This incentive was particularly liked by under 54s, those giving time or money frequently to charity/community and those more likely to make a social/ethical investment.

- **The ability to offset any capital losses against tax bill up to a limit:** 37 per cent thought this would encourage them to invest. This incentive was particularly liked by segment with £300k-£1 million of investment assets, those with income over £105,000 p.a. and under 54s.

2.5 What more information would investors require?

A question was asked to interviewees about whether they would be more likely to invest if they were getting feedback/information on the specific social outcomes. The interviewees' amount of investment assets or level of income did not affect the answer. There was more desire for feedback from the same groups as were positive about the products, i.e. the feedback would seem to provide further encouragement to those already inclined to invest.

Two further questions were put to interviewees relating to more information and advice. The

Figure 7: Further information prior to making social/ethical investment

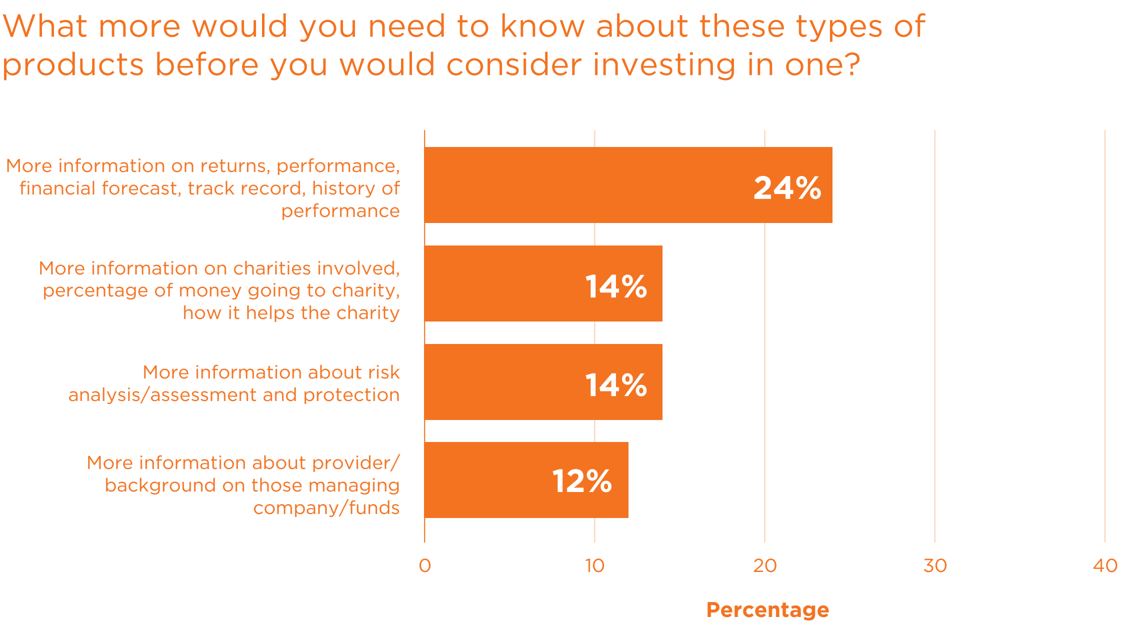


Figure 8: Sources of advice on social/ethical investments

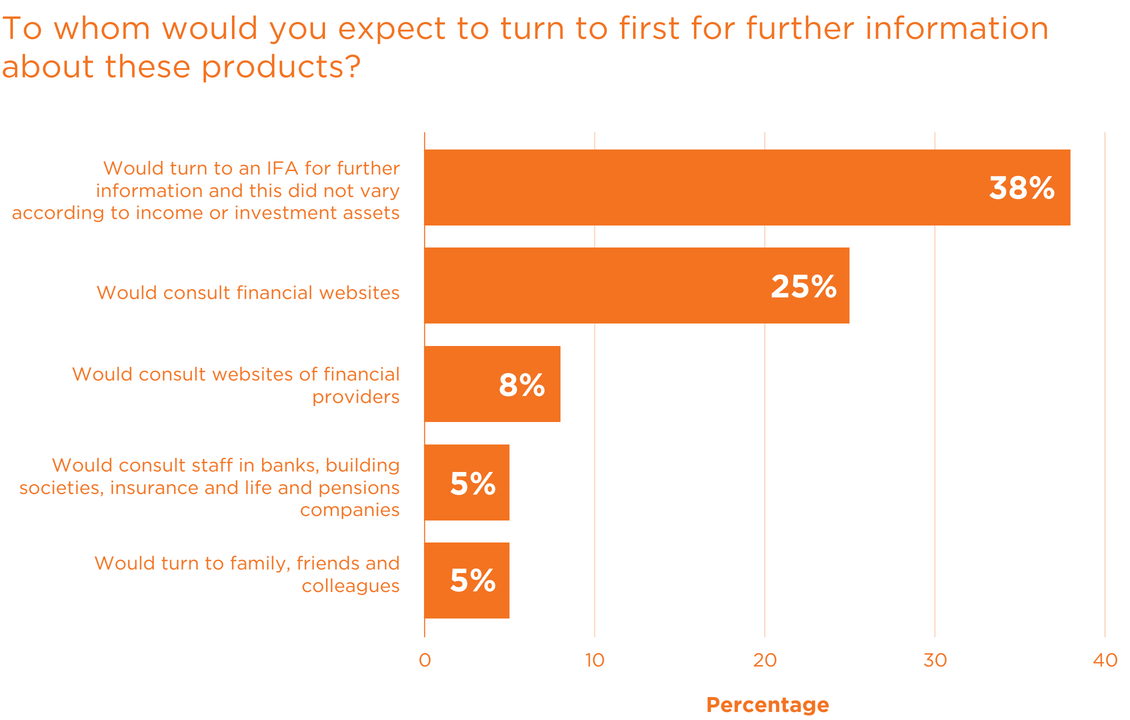


Table 5: Investment, Philanthropy or a New Type of Activity

Which of the following best describes how you think about this product?	Charity bond (176)	Community business share issue (160)	Social enterprise property fund (149)	Social investment fund (131)
Part of my investment portfolio	16%	31%	34%	42%
Part of my charitable/philanthropic activity	46%	28%	27%	25%
A new type of activity	38%	42%	39%	33%

Base: Respondents who claim they are very/fairly likely to invest in each product

answers are summarised in Figures 7 and 8. The key areas for more information related to financial returns, the charities/social enterprises. The key sources of financial advice on social/ethical investments were IFAs and financial web sites.

2.6 Is social investment philanthropy, investment or something else?

This is an important question for a number of reasons:

- Will social investment lead to less money being available to charities or increase the pot available to charities?
- Is it viewed as part of an investment portfolio, reducing the overall return on the portfolio?
- Is it a new type of wealth allocation?

The quantitative research does lead to some further insight on this matter. The following table gives the split of how respondents “think about the product” based on having expressed themselves very or fairly likely to invest.

Even following specific examples of products, there were different views as to which part of a respondent’s wealth would be deployed in the social investment.

For all products, at least one third of the interviewees viewed the product as “a new type of activity”, distinct from philanthropy and investment.

The *charity bond* was viewed as a philanthropic activity by 46 per cent of those that were likely to invest.

The *community business* share issue and the social enterprise property fund were seen in a similar way with c. 40 per cent as a new type, c. 33 per cent as investment and c. 27 per cent as philanthropy.

The *social investment fund* was viewed more strongly as an investment with c. 40 per cent as investment, c. 33 per cent as a new type and c. 28 per cent as philanthropy.

The sample size is not large enough to make many observations on difference between the views of those with different levels of investment assets. In general, those with more than £100k of investment assets are more likely to view the investments as part of their philanthropic activity. The social investment fund is an exception where the view is similar regardless of investment assets.

The mindset issue is particularly important for presenting the products. Is it better to present the product as an investment with a lower return in order to achieve social good *or* a new type of wealth deployment, alongside investment for return and philanthropy?

The interim report, ‘How do individuals become social investors’,[5] explores this issue in relation to the thinking of very high net worth individuals (more than £1 million of investment assets). It was interesting to observe that those who had made a commitment to social investment were increasingly seeing it as a new type of wealth deployment.

This quantitative study does not explore the changing view of potential investors as they become involved. It is an important area for further research as products are presented to potential investors and there is more widespread engagement

2.7 Conclusions

The reaction of the interviewees to the products has far more similarity than it has differences, for example there was a high level of consistency across products about:

- Ease of understanding: c. 85 per cent
- Appeal of products: c. 40 per cent
- Likelihood of investing: c. 32 per cent (c. 26 per cent for Social Investment Fund with higher minimum investment)

The answers to one question at the beginning of the survey proved to be a key indicator of interest in all four products – the answer "very likely" or "fairly likely" to the question *"How likely would you be to invest in a financial product that, as well as giving you a comparable return on your money, has a positive impact on society, helps a good cause of has other ethical or beneficial effects?"* After looking at the products, those that answered very or fairly likely were significantly more likely to find the products appealing. Those that answered no better than "neither likely nor unlikely" were more likely to find the products unappealing.

Specific groups that were consistently different across the products were as follows:

- **Under 40s** – found the products relatively appealing.
- **Over 55s** – found the products relatively unappealing.
- **With children living at home** – found the products relatively appealing.
- **Giving time to charities and/or local community activities** – those giving once a month or more were generally more likely to find the products appealing and the reverse was true of those that did not get involved.

There are relatively few points to make about the individual products. Table 6 shows that the responses for investment return, risk to capital and liquidity are in line with the way that they were presented to interviewees.

The response to level of engagement varies, but in all cases the appeal is seen as being high at over 60 per cent. Similarly, the social, community and ethical benefit appeal is high ranging from 66 per cent on the Social Enterprise Property Fund to 79 per cent on the charity bond.

The other features of the products vary in line with the risk/return and liquidity of the product. In terms of the potential investor groups the following summarises the differences.

Charity Bond/Community Business Share Issue – liked relatively more by those with lower levels of investment asset and relatively less by those with high levels of investment asset.

Social Enterprise Property Fund/Social Investment Fund – those with lower income (below £55k p.a.) were less likely to be interested in making an investment.

Overall there is no reason based on this research

Table 6: Responses to the product features

How would you rate each of the following product features in terms of their appeal to you personally?					
Very/fairly appealing	Investment return	Risk to capital	Liquidity/ access to capital	Level of engagement with social enterprise/ charities being invested in	Social, community or ethical benefit
Charity bond	39%	69%	46%	76%	79%
Community business share issue	52%	28%	40%	63%	71%
Social enterprise property fund	41%	53%	29%	60%	66%
Social investment fund	66%	22%	38%	59%	67%

why each of the products presented could not be refined and investors found for them.

Tax Incentives

For the first three products it was clear that making the interest/dividend free of income tax would be a significant motivator even for those that had not declared much interest in making a social/ethical investment.

For the Social Investment Fund, the ability to hold the investment in an ISA was viewed as the most positive encouragement.

Being able to offset any capital losses on the Social Investment Fund against tax bill up to a limit was appealing to more than a third of interviewees and particularly liked by those with higher investment assets and/or income.

This tax incentive was liked in relation to the Community Business Share Issue (34 per cent) and the Social Enterprise Property Fund (28 per cent).

PART 3:
MOTIVATIONS FOR SOCIAL INVESTMENT – THE TRIGGERS AND BARRIERS

3.1 Theoretical Framework

In Appendix 3, an overview is provided of the academic basis for the theoretical framework. By understanding motivations of interviewees in relation to making a social investment, it is more likely that interventions can be developed to encourage this type of investment. Rational changes in cognitions can be brought about by persuasion and education campaigns relying on 'reflective' processing of the provided information. However, behavioural science has shown that these interventions account for a small percentage of actual behaviour change.

This section considers the motivations of interviewees in the context of impulsive motivation systems and habit (reflexive) systems, in addition to reflective thought. The importance of this approach in policy initiatives has been catalysed by the work of Thaler & Sunstein.[6] Following an understanding of the intended outcome, it may be possible to design the "choice architecture" in such a way as to enable better decisions to be taken.

Impulsive systems include such core motives as belonging, understanding, self-enhancing, control and trusting. Habit systems include both action (ways of doing things) and mental (ways of thinking about things) habits. The motivation questions included in the survey were drawn from the qualitative research and constructed to evoke different categories of motive in the context of social investment.

This theoretical framework enables the development of insight that goes beyond educating investors to emotional responses and habit formation. Developing these approaches may be crucial to the social investment market reaching its potential.

3.2 Empirical Analysis

A group of 13 questions were asked to interviewees relating to motivations connected to making a social investment. The questions were derived from the qualitative phase of the research. The responses were analysed to cluster the interviewees, so that those with similar motivations formed groups. These revealed how particular motivations come together within the different groups. Following grouping or clustering the segments are given a name that reflects the reaction of the group to the products. In this instance the three groups have distinctly different reactions to the products and were easily differentiated. This is a reflection of the considerable work that went into the qualitative phase to identify the potential triggers and barriers that affect the motivation of individuals. The motivations having been identified this analysis enables the relative importance to be identified.

Three motivational clusters were identified, which have been called: 'Active Interest' (39 per cent), 'Passive Interest' (35 per cent) and 'No Obvious Interest' (27 per cent). Each contain substantial percentages of the sample. They are very distinctive as can be seen in Appendix 4. The 'Active Interest' group has been sub-divided into above and below £100k of investment assets.

These three groups are distinctly different in terms of reaction to the individual products. The motivations of the three groups are considered below. For all four products presented to interviewees, the 'Active Interest' group was significantly more likely to find all the features appealing, i.e. risk, return, liquidity, engagement and social/ethical benefit.

In the short explanations that follow, initial consideration is given as to what is underlying the motivation, e.g. the individual is motivated to improve understanding of social investment.

Figure 9: Motivations for Social Investors (£50-£100k of investment assets/above £100k of investment assets)

Motivations for Social Investment: Triggers and Barriers – **Active Interest**

£50-£99k asset group			£100k+ asset group	
T	Engagement with the Social Enterprise/ Charity	1	Engagement with the Social Enterprise/Charity	T
T	Early adopter	2	Early adopter	T
T	Re-cycling social investment pot is positive	3	Re-cycling social investment pot is positive	T
T/B	Choice of Charity/Social Enterprise is important	4	Produce evidence of social outcomes	T/B
T	Economic environment leads to need for social enterprise	5	Economic environment leads to need for social enterprise	T
T	Social investment encourages business-like behaviour	6	Social investment encourages business-like behaviour	T
B	Be sure that social good will result	7	Tax incentives could make a real difference	T/B

3.2.1 Motivations of individuals with an 'active interest' in being social investors

Figure 9 summarises the key motivations of the active interest group of interviewees. The motivations are ordered by how strong they were relative to the overall population. There are a small, but potentially important, number of differences between those with investment assets of £50-£100k and those with investment assets of between £100k and £1 million; these are highlighted.

Engagement with the Social Enterprise/Charity

This is the strongest motivator for the 'Active Interest' group with two motivation questions having similar responses.

> *"Being able to be personally involved in the charities, causes or projects being supported, e.g. volunteering or the potential to be director would be an incentive for me to invest".*

> *"I would like to be able to visit the social enterprise or charity and meet the management".*

Both of these statements give a sense of 'belonging' to the cause. There is a possibility that simply knowing that these possibilities exist and that others are taking them up will motivate the potential social investor. The under £100k investment assets group is more strongly motivated by the first statement, displaying considerable enthusiasm. This does not mean that these investors are more likely to take up any opportunities to become involved. More work would need to be done to identify the link between actual/potential involvement and the likelihood to invest.

It is the lower response to these two motivation questions that distinguishes the 'Passive Interest' group from the 'Active Interest' group. Engagement is not a motivator for them to get involved with social investment.

It is the 'Active Interest' group that is most likely already to be giving time and/or money once a month or more to charities/local community activities.

In the context of the regression and the motivations it is noteworthy that those with over £100k of investment assets are significantly more likely to give time once a month or more than those with less than £100k.

For the over £100k of investment assets group it is likely that this motivator is linked to the 'social/ ethical values' factor that is the strongest driver for them in terms of the likelihood of being a social/ethical investor. These potential investors may be drawn towards the social enterprise property fund and the social investment fund because they can see a potential to be informed about the individual investments and potentially to have opportunities to meet the management. Further research is needed, but it may be more important to know that the opportunities are available than to take them up. The opportunities could give a sense of engagement with the social enterprises and charities that are benefiting from the investment.

For the under £100k of investment assets it is possible that the picture of involvement is linked with long-term financial satisfaction and the desire to be involved with a new form of engagement, viewed as novel. These potential investors are drawn more to the charity bond and the community business share issue, which lend themselves to potential for volunteering.

Early adopter of social investment

> *"I like the idea of social investment and would want to try out this new area".*

This statement is acknowledgement that the products described were new to the interviewee. The motivations that could be indicated in this statement are both imitation and developing a new habit. Imitation because implicitly they understand that others will be trying out the new area and they would want to be an early adopter. For many, the idea of social investment is another form of using wealth to make a contribution to society. In trying it out, there is an opportunity for the investor to be developing a new habit, i.e. to have a portfolio of social investments.

Re-cycling social investment pot is positive

> *"It is appealing to know that my money may come back to me and I'll be able to reuse it for another social investment".*

The 'Active Interest' group find this motivational. There are a number of potential motivational drivers. The concept of increased social effect will appeal to some, an increased nurturing of social causes. There is also a sense of the development of a habit in that further decisions will be made in the context of redeploying wealth in social investment. In addition, there may be a specific element of novelty in that it is a new concept to receive back money with a philanthropic aspect or to make an investment with a philanthropic objective.

Choice of Charity/Social Enterprise is important (under £100k group)/Produce evidence of social outcomes (over £100k)

Motivator 4 (under £100k group of investment assets) *"My decision as to whether or not to invest would depend on which charities or causes were being supported".*

There is a contrast in the motivations at this point between the investor groups. Those under £100k may want a greater sense of control as to the social cause that is being supported. This will be linked to the preferred product choice of this group with the charity bond and the community business share issue. If the charity/social enterprise did not appeal to this group of investors, it would act as a barrier to investment.

This motivator does not feature in the top eight of the over £100k group, implying a greater comfort with the fund concept and the use of professional expertise to select and monitor the social enterprises/charities.

Motivator 4 (over £100k of investment assets) *"I would like to see case studies of the beneficial social outcomes of these products".*

For those with greater than £100k of investment assets this is the fourth most important motivator (8th for less than £100k group). This is a clear need for understanding of how the product generates the social outcome. The particular interest is the social enterprise property fund and the social investment fund. In these cases, it is more complicated than the charity bond and community share issue to understand how the social benefit is derived.

The lack of case studies and track record would be a barrier for these potential investors.

Economic environment leads to need for social enterprise

> *"Social investments are important to encourage social enterprises/charities in the current economic environment (need for more funding because of government cutbacks)".*

The 'Active Interest' group are empathetic to the need for social investment given the backdrop of government cutbacks. This motivation is goal-orientated, i.e. the investors are looking for the social outcomes to be such that they are lessening the effects of reductions in government funding. The fact that this is a motivator implies that the group do not see this as an alternative to greater taxation.

Social investment encourages business-like behaviour

> *"Social investment would help make charities and social enterprises more business-like, i.e. clearer objectives, efficient, better managed".*

Many people hold the view that charities and social enterprises would benefit from a more commercial approach. The 'Active Interest' group are motivated by the sense that the products presented to them deliver social outcomes in a more efficient way. The motivation is a greater sense that a higher level of control will be exercised over the charity/social enterprise than would otherwise be the case. It is thought that the discipline surrounding providing the finance and the feedback to investors could make it more likely that a positive social outcome results.

Be sure that social good will result (under £100k)/Tax incentives could make a real difference (over £100k)

> *"Before I'd invest, I'd need to be convinced that the money is going to be used to result in social good and not for any other purpose".*

This motivator is felt more strongly by those with less than £100k of investment assets. It is a motivator connected with trust. The social investor wants a sense that the money will not be wasted. It may be connected with the previous point (Motivatior 6) that it will be well-managed.

> *"Tax relief or tax incentives would encourage me to make an investment".*

Interviewees with greater than £100k of investments felt more strongly about this financial incentive. Four reasons were identified in the qualitative work which are restated here in the context of the quantitative:

- *'Jump start'* – this would give an official endorsement to the activity. It is an effective way of 'nudging' those interested into considering that it would be a normal action to allocate wealth to social investment.

- *Public awareness* – the act of providing a tax incentive would create significant public awareness. The government again would be providing a strong 'nudge' by delivering a message that it considered social investment to be sufficiently important to provide an incentive.

- *Sharing the benefit* – it would give a sense that the social investor was sharing the cost/benefit with the government, which is seen by many as the primary provider of services to meet social needs. This links with the motivator relating to the current economic environment, which is present with both the groups with an 'active interest' and 'passive interest" in social investment.

- *Financial gain* – it will have broad appeal to those that want to pay less tax. It is particularly important for relatively wealthy individuals to encourage wealth into social investment.

The lack of a tax incentive is a barrier to some people since it is expected that government would want to encourage this type of activity as it does with other 'useful' types of investment such as the Enterprise Investment Scheme or Venture Capital Trusts.

3.2.2 Motivations of individuals with a "passive interest" in being social investors

The reason that this group are worth considering is that it would appear from the study to be a substantial group and it may be possible to motivate them to become social investors.

The top motivators for this group are very different from those of the 'active interest' group. The primary difference is that they are not motivated by engagement with the charities/social enterprises. Five of the top six for these motivators are barriers to be overcome. A positive point is that there appears to be a realisation that in the current economic environment having a goal to encourage social investment is legitimate. It is possible to envisage social investment products that do overcome these barriers and this group do have an interest in some of the products presented. The following three needs are present for this group:

Financial incentives: this group are looking for tax incentives to encourage them and give confidence. In addition, they are seeking a return and some surrounding reassurance about this.

Understanding: the qualitative work identified the need for greater understanding to be provided by advice, media and case studies. The quantitative work confirms that this will be important for those with an 'active interest', but especially important for those with a 'passive interest'.

Figure 10: Motivations for Social Investors with a 'Passive Interest'

Motivations for Social Investment:
Triggers and Barriers – **Passive Interest**

1	T/B	Need tax incentives
2	T/B	Need case studies
3	B	Need a return even if it is for a social purpose
4	T	Economic environment means social investment important
5	T/B	Need for assurance about professional fund management
6	B	Need to know money will only be used for social purpose

Control and trust: providing assurance about professional fund management and how the money is being used are very important to the 'passive interest' group. These areas can be addressed, but are barriers to be overcome.

3.2.3 Motivations of those with no interest or a negative view

This group is not likely to become social investors and the first two barriers are difficult to overcome. A clear priority for these investors is receiving a return on investment. The second problem is that attitudinally they are more likely to believe that social needs should be met by the government. These barriers are such that it is unlikely that social investment products can be designed for this group.

3.3 Conclusion on motivations

The survey population was divided into groups according to the expressed strength of expressed

Figure 11: Motivations for interviewees with 'no interest'

Motivations for Social Investment:
Triggers and Barriers – **No Interest**

1	B	Social needs should be met by the government
2	B	Need a return on investments
3	T/B	Need for assurance about professional fund management
4	T	Social investment will make charities more efficient
5	T/B	Need to know which charities/social enterprises are being supported
6	B	Need to know money will only be used for social purpose

motivation. The three groups were labelled 'Active Interest', 'Passive Interest' and 'No Interest' in respect of how they had reacted to the social investment products presented to them and the other questions in the survey.

Almost 40 per cent of the survey population fell into the 'Active Interest' group or cluster. These were analysed by dividing them between those with over £100k and those with below £100k of investment assets following the key difference identified from the regression analysis in Section 1. A further 35 per cent of the sample was classified in the 'Passive Interest' group. The Active and Passive Interest group represents a substantial population receptive to interventions that may use triggers or overcome barriers to encourage them to become social investors.

For the 'Active Interest' group, the triggers to investment were largely addressed in the products presented. The greater than £100k group would be encouraged to engage by a tax incentive. The group with below £100k were prepared to engage with the names of charity or social enterprise presented and appeared comfortable that a social good would result.

The 'Passive Interest' cluster are likely to need a tax incentive and a reasonable return. They will need to improve understanding through case studies and receive reassurance with trusted managers of the funds. These are all barriers that could be overcome.

The 'No Interest' cluster is distinct in that not only do these individuals want a return, but they believe that social needs should be addressed by the government. They are very unlikely to warm to the concept of social investment.

PART 4:
OVERALL CONCLUSIONS

The three pieces of analysis described in the three sections of the report combine to give statistically based insight into the response of those with investment assets between £50k and £1 million.

4.1 Investment assets between £100k and £1 million

4.1.1 Drivers of social investment

There were only two statistically significant drivers of the likelihood to engage in social/ethical investment.

- *'Social/Ethical Values'* – these investors want their money to do some good as well as provide a return, they are more likely to be involved in local community activities and will have made some move to have their investment portfolio reflect their ethical values.

- *Age* – the younger the investor, the more likely they are to being receptive to social/ethical investment. An investor under 40 is more likely to be receptive to social investment than one over 55.

4.1.2 Social investment and overall financial wellbeing

The most important factor identified that determines the overall financial satisfaction or wellbeing for this group is satisfaction with how investments are meeting the financial goals of the individual. Examples of these goals are *"enjoy life after retirement without having to worry about income"* or *"support my children's education"*. Social investments need to be positioned so that the sacrifice of return is not jeopardising these potentially competing goals. The investor, maybe with advice, will want to work out what proportion of wealth should be employed in this asset class. A second significant factor in determining financial wellbeing is *"knowing where money is ultimately invested"*. A well constructed social investment with clearly understood social outcomes, risk and return could be an ideal source of financial wellbeing for these individuals.

4.1.3 Products

These investors are more likely to invest in the social enterprise property fund and the social investment fund than those with £50k to £100k of investment assets. They were less receptive to making investments in the charity bond and the community business share issue.

4.1.4 Tax incentives

In general, tax incentives are appealing for this group. In particular, they are keen to be able to offset capital losses against tax bill on the social investment fund.

4.1.5 Motivations

The grouping or clustering of the motivation question showed that a substantial group of respondents have similar motives that make them more likely to find the social investment product appealing. These are extremely important when considering how to encourage take-up among those that have an 'active interest' and are considering an investment.

- **Engagement with the social enterprise/charity** – I want to belong and be a part of it.

- **Early adopter mentality** – I like this idea and want to join in.

- **Social investment is different** – I like the idea of enterprise philanthropy, my wealth is recycled.

- **Evidence** – I need case studies so that I understand how the social good is generated.

- **Economic environment** – I agree that in the current environment we need to have the goal of encouraging social enterprises/charities.

- **Social investment is different** – I like the idea of enterprise philanthropy – it increases control and makes good social outcomes more likely.

- **Tax incentives** – I am more likely to do this with a financial incentive.

These are mostly triggers to action by the potential social investor. The significant potential barriers of *"the government should be doing this"* and *"I need a return on investments"* are not present for this group.

The social enterprise property fund and social investment fund are only viewed as charity by around one-third of likely potential investors. At least two-thirds of potential investors view these products as either a part of an investment portfolio or a new type of wealth deployment.

4.2 Investment assets between £50k and £100k

4.2.1 Drivers of social investment

There were eight statistically significant drivers of the likelihood to engage in social/ethical investment. This means there are many combinations of these factors that could be causing a person to be receptive to social investment.

- *Age (with children 15 or under at home)* – less likely to invest as they get older. *Age (without children at home)* – as they get older, more likely to invest.
- *Financial satisfaction* – more likely to be social investor if they have a high level of overall financial satisfaction.
- *Perception of the level of discretionary expenditure enabling you "to live your life"* – more likely if have lower level of discretionary expenditure (difficult to interpret).
- *Early adopter* – the more interest in exploring new investment, the more likely they are to be a social investor.
- *Having financial security in retirement as a goal* – the more that this goal is present, the more likely they are to invest socially/ethically.
- *Portfolio meeting financial goals* – if their existing portfolio does not meet their financial goals, then more likely to invest socially/ethically.
- *Know about social/ethical investments* – if the potential investor knows more, they are more likely to invest.
- *Giving to charity as a proportion of income* – a generous charitable giver is more likely to consider social/ethical investment.

4.2.2 Products

These investors are more likely to invest in the charity bond and the community business share issue than those with £100k to £1 million of investment assets. They were less receptive to making investments in the social enterprise property fund and the social investment fund.

4.2.3 Motivations

The grouping or clustering of motivation questions showed that a substantial group of respondents have similar motives that make them more likely to find the social investment product appealing. These are extremely important when considering how to encourage take-up among those who have an 'active interest' and are considering an investment.

- **Engagement with the social enterprise/charity** – I want to belong and be a part of it.
- **Early adopter mentality** – I like this idea and want to join in.
- **Social investment is different** – I like the idea of enterprise philanthropy, my wealth is recycled.
- **Choice of charity/social enterprise** – I need control over which charity/social enterprise is supported.
- **Economic environment** – I agree that in the current environment we need to have the goal of encouraging social enterprises/charities.
- **Social investment is different** – I like the idea of enterprise philanthropy – it increases control and makes good social outcomes more likely.
- **Need convincing about social good** – I do not trust that social good will result from my investment.

Most of the motivations are the same as the over £100k of investment asset group. However, there are two important differences. Firstly, these investors need a sense of having chosen the social enterprise/charity. This is a barrier to the investments into funds and even makes the charity bond more challenging, as the investment decision will be dependent on whether the investor is empathetic to the specific purpose. Secondly, there are signs of a lack of trust that social good will really result from the investment. This is another barrier to overcome and to manage as feedback is provided.

4.3 Products

There were four products tested in this research, Charity Bond, Community Business Share Issue, Social Enterprise Property Fund and Social Investment Fund. All the four products tested in this research could be refined and investors would be found for them. Potential investors would turn primarily to IFAs and financial websites to gather more information. The response to the standard product features is in line with the risk, return and liquidity of the product. The sense of engagement with the underlying social organisation and the actual social/ethical/community benefit were very appealing in relation to all the four products.

4.4 New Asset Class

All four products were viewed as a new type of investment by a large proportion of those that expressed an interest in making an investment (between 33 per cent and 40 per cent). Investors did not always view it as either philanthropy or financial investment. For three of the products, a minority (around 25 per cent) viewed the products as philanthropy and a higher proportion viewed it as investment (between 30 per cent and 40 per cent) – although the mix was more towards philanthropy for the charity bond. The fact that around 75 per cent of interviewees view social investment as something different from philanthropy is encouraging.

Investment 'pot' – The research shows that financial wellbeing is generated from knowing that financial goals are being met. It is possible that a reduction in financial return as a result of social investment could be a problem for those allocating to the investment 'pot'. It will be important to incorporate the lower return into the overall performance in such a way as to give reassurance that household financial goals are still being met.

Social investment 'pot' (new type) – In the qualitative research, it was concluded that due to the confusion in trying to allocate social investment to either philanthropy or financial investment, very high net worth social investors were treating it as something different and allocating a portion of their wealth to it. If the market were to develop it is possible that other investors could be encouraged to do the same.

Philanthropy 'pot' – the charity bond is seen by many as philanthropy, but whether this means a transfer of charitable giving or an expansion of the philanthropy 'pot' is unclear. More work would need to be done on this area as the market develops.

4.5 Tax Incentives

It is highly likely that tax incentives would have a positive effect in encouraging both those with an active interest and those with a more passive interest to become investors. Caution would need to be exercised with those with investment assets below £100k due to the complex combination of factors that may lead them to be investors. There is a potential that with the more risky social investment, it will not meet their overall goals. For those with over £100k of investment assets, the tax incentive would indicate a working with government to achieve a social good and an endorsement of a relatively new asset class.

4.6 Overall Conclusion

This report presents compelling evidence from quantitative research, which when combined with earlier qualitative research, shows that many wealthy individuals (over £100k of investment assets) are motivated to try social investments. The overwhelming motivation for social investment is that, as with other parts of their lives, their wealth should have a positive impact on society.

The report is ambiguous in its conclusions on those with investment assets between £50k and £100k. The evidence from this report is that the drivers are less homogeneous. Initial drivers relate to demographic and situational factors to do with age, having children at home and how the individual feels about their financial situation. There is a desire for novelty and newness, which is not related to social good. Overall there is a sense that many of these potential investors are not particularly happy with their current financial situation. The charity bond and community business share issue would generate significant interest. However, a product provider should be cautious, as the evidence is that there are particular issues in relation to the diverse motivations of this group. In particular, the need for control over the specific charities/social enterprises benefiting and some lack of trust that social good will result. These issues mean that social investment products for this group are more difficult to present appropriately. Further research and product testing will be important to ensure there is not a mismatch of expectations between the product provider and this group of potential social investors.

4.7 Further Research

This report points to a number of areas for further research as follows:

1. *Market Size:* this research has identified a group of potential social investors with clear motivations for becoming engaged. This research has been able to identify them, but it could be useful to have a sense of the market size. For social investments with higher risk content, the research would focus on the population with investment assets of £100k or above.

2. *Product Development:* given that there is a lot of clarity around the motivations of the group with investment assets of £100k and above, it is important to do further research into how the products are presented. This could use insights from behavioural economics. The importance of social/ethical values and engagement with the charity/social enterprise are important to interpret and develop. Topics that could be covered include how to achieve engagement with the social enterprise/charity, giving feedback on the social good generated, developing case studies and providing information on what other social investors are doing.

3. *Tax Incentives:* it is clear that tax incentives would make a substantial difference. They are performing more of a role than providing a financial incentive. It is possible that rather than do further research, a modest tax incentive should be considered in order to demonstrate the commitment of the government and that it is prepared to recognise the benefit being generated for those with needs in society. Research should be undertaken to establish the effects of the incentive on different segments.

4. *Lower investment asset category (below £100k):* the mixture of drivers that may lead an individual to become a social investor from this category is a cause for concern. As products are targeted toward this group, particularly if they have higher risk or lower return, it will be important to ensure good levels of understanding and appropriate motivations. It will be particularly important with social investments that individuals do not become disillusioned with the social outcomes. This may be less of an issue with products such as the charity bond and the community business share, where it is more straightforward to create a good level of engagement and the amounts invested are relatively low.

5. *New Asset Class:* it is important to gather data on new social investments to identify how investors, both new and existing, are treating them within their wealth allocation. This would be valuable information that could be used to identify how to encourage the market to grow further. A healthy outcome would be the growth of the market with a clear acknowledgement from investors that the specific products were meeting the need to express social/ethical values through the deployment of their wealth.

6. *IFAs/intermediaries:* It is clear that the intermediary channel will have an important role to play in the distribution of social investment products. They will need to be able to access information that will enable them to inform investors about the opportunity that the markets hold, in order to address the identified motivational triggers and barriers. A greater understanding of how best to engage with the intermediary channel (product literature/information, contact/support etc.) will help ensure that the market optimises its potential.

APPENDIX 1: SAMPLE SPLIT DATA TABLES

Total sample size: 505, Assets £50-£99k: 199, Assets £100k+: 306

Table A1: Age groups

	Under 40	40-54	55 or over
Total	28%	36%	36%
£50-£99k	42%	36%	23%
£100k+	19%	36%	45%

Table A2: Life stage

	Under 55, no kids	Family (having kids under 15 at home)	55+, no kids
Total	41%	23%	35%
£50-£99k	55%	23%	23%
£100k+	33%	24%	44%

Table A3: Having kid(s) aged 15 or under living at home

	Have kid(s) at home	Do not have kid(s) at home
Total	23%	77%
£50-£99k	23%	77%
£100k+	24%	76%

Table A4: Assets

	£50k to £99k	£100k to £199k	£200k to £299k	£300k to £499k	£500k to £749k	£750k to £1m
Total	39%	31%	12%	11%	4%	3%
£50-£99k	100%	-	-	-	-	-
£100k+	-	51%	19%	18%	7%	5%

Table A5: Annual household income

	Less than £25,000	£25,000 - £54,999	£55,000 - £104,999	£105,000 - £259,999	£260,000 or more	Prefer not to answer
Total	6%	29%	40%	17%	3%	5%
£50-£99k	6%	30%	47%	11%	2%	5%
£100k+	6%	28%	35%	21%	4%	6%

Table A6: Retirement

	Retired	Not retired
Total	20%	80%
£50-£99k	12%	88%
£100k+	25%	75%

Table A7: Location

	Urban	Rural	Neither
Total	62%	31%	7%
£50-£99k	70%	25%	5%
£100k+	57%	35%	9%

Table A8: How satisfied would you say you are with your overall financial circumstances?

	Extremely/ very satisfied	Fairly satisfied	Neither, nor/fairly/very/ extremely dissatisfied
Total	22%	55%	23%
£50-£99k	17%	54%	29%
£100k+	26%	55%	19%

Table A9: Some people have defined financial wellbeing as having enough money left over for non-essentials “to live your life”. Using this definition, how would you rate your financial wellbeing? (Scale 1-10; 1 = extremely poor, 10 = extremely good)

	9-10	7-8	1-6
Total	19%	55%	26%
£50-£99k	11%	55%	34%
£100k+	25%	55%	21%

Table A10: Over the next 12 months do you think the general economic condition of the country will…?

	Improve	Get worse	Stay the same	Don't know
Total	21%	45%	31%	2%
£50-£99k	21%	44%	33%	3%
£100k+	21%	46%	30%	2%

Table A11: How likely would you be to invest in a financial product that, as well as giving you a comparable return on your money, has a positive impact on society, helps a good cause or has other ethical or beneficial effects?

	Very likely	Fairly likely	Neither/nor	Fairly unlikely
Total	16%	52%	28%	3%
£50-£99k	21%	51%	26%	3%
£100k+	13%	54%	30%	4%

Table A12: How satisfied are you with how your investments are meeting your financial goals? (Financial goals can be as follows: Enjoy life after retirement without having to worry about income; Support my child(ren)'s education; Make sure I (and my family) are financially secure; Improve my quality of life; Save enough money to retire early)

	Very satisfied	Fairly satisfied	Not very satisfied	Not at all satisfied
Total	8%	74%	17%	1%
£50-£99k	5%	73%	23%	-
£100k+	10%	75%	13%	1%

Table A13: In general, how satisfied are you with your current range of investment products in terms of...

		Very satisfied	Fairly satisfied	Not very satisfied	Not at all satisfied
Investment return	Total	7%	52%	35%	5%
	£50k-£99k	7%	51%	39%	3%
	£100k+	7%	54%	33%	6%
Spread of risk	Total	15%	73%	11%	*
	£50k-£99k	11%	71%	17%	1%
	£100k+	18%	75%	7%	*
Liquidity	Total	18%	69%	12%	1%
	£50k-£99k	15%	65%	19%	2%
	£100k+	21%	71%	8%	*
Length of investment	Total	17%	73%	9%	1%
	£50k-£99k	12%	73%	14%	1%
	£100k+	20%	74%	6%	1%
Knowing where your money is ultimately invested	Total	21%	65%	13%	1%
	£50k-£99k	15%	65%	19%	1%
	£100k+	26%	64%	9%	1%
Engagement with underlying investments	Total	6%	71%	22%	1%
	£50k-£99k	3%	68%	28%	1%
	£100k+	8%	73%	18%	1%

Table A14: How often do you give your time to charities and/or local community activities?

	Once a month or more	Once every 2-3 months	Once every 6 months or more	Once a year or more	Less than once a year	I do not currently get involved with these types of activities
Total	32%	15%	10%	11%	13%	19%
£50-£99k	26%	15%	12%	11%	16%	21%
£100k+	36%	15%	8%	12%	11%	18%

Table A15: How often do you make donations to charities and/or local community activities?

	Once a month or more	Once every 2-3 months	Once every 6 months or more	Once a year or more	Less than once a year	I have not made any donations yet
Total	32%	15%	10%	11%	13%	19%
£50-£99k	26%	15%	12%	11%	16%	21%
£100k+	36%	15%	8%	12%	11%	18%

Table A16: How much do you feel you know about investments that also offer ethical, community or social benefits?

	A lot	A fair amount	A little	Heard of but know nothing	Not heard of before
Total	1%	14%	51%	28%	6%
£50-£99k	2%	12%	53%	26%	7%
£100k+	1%	15%	50%	29%	5%

Table A17: Do any of the investments you currently hold offer ethical, community or social benefits?

	Yes	No	Don't know
Total	16%	47%	37%
£50-£99k	12%	47%	41%
£100k+	19%	47%	34%

APPENDIX 2:
KEY TABLE SUMMARY FOR FOUR PRODUCTS

Charity Bond

How easy is it to understand what this investment offers and does?

Total	Very easy	Fairly easy	Not very easy	Not at all easy	Easy (NET)
505	26%	59%	13%	1%	86%

How appealing do you personally find this investment?

Very appealing	Fairly appealing	Not very appealing	Not at all appealing	Appealing (NET)
5%	36%	49%	10%	41%

Assuming any further investigation satisfied you about the details of the product, how likely would you be to invest in this product?

Very likely	Fairly likely	Not very likely	Not at all likely	Likely (NET)
3%	31%	52%	13%	35%

If you were to invest in this product, what amount of your investment portfolio would you look to allocate to it?

	Less than £1,000	£1,000 - £2,999	£3,000 - £4,999	Less than £5,000 (excluding the first three breaks)	£5,000 - £9,999	£10,000 - £19,999	£20,000 - £49,999
Total (176)	26%	39%	10%	10%	11%	3%	2%
£50k-£99k (81)	32%	38%	9%	12%	5%	2%	1%
£100k-£199k (55)	25%	40%	9%	5%	18%	-	2%
£200k-£299k (17)	18%	35%	18%	12%	12%	6%	-
£300k-£1m (23)	13%	39%	13%	9%	13%	9%	4%
Total £100k+ (95)	21%	39%	12%	7%	16%	3%	2%

Which of the following tax incentives, if any, would encourage you to invest in this product?

Gift Aid can be claimed on the donation of the interest to the charity	The interest you receive is exempt from income tax	Neither of the above
41%	71%	17%

How would you rate each of the following product features in terms of their appeal to you personally?

	Very appealing	Fairly appealing	Not very appealing	Not at all appealing	Appealing (NET)
Investment return	10%	29%	44%	17%	39%
Risk to capital	12%	56%	27%	5%	69%
Liquidity/access to capital	6%	40%	46%	9%	46%
Level of engagement with social enterprise/charities being invested in	17%	58%	20%	5%	76%
Social, community or ethical benefit	23%	56%	16%	5%	79%

Which of the following best describes how you think about this product?

Total likely to invest	Part of my investment portfolio	Part of my charitable/ philanthropic activity	A new type of activity
176	16%	46%	38%

Community Business Share Issue

How easy is it to understand what this investment offers and does?

Total	Very easy	Fairly easy	Not very easy	Not at all easy	Easy (NET)
505	30%	56%	12%	2%	86%

How appealing do you personally find this investment?

Very appealing	Fairly appealing	Not very appealing	Not at all appealing	Appealing (NET)
7%	35%	41%	17%	42%

Assuming any further investigation satisfied you about the details of the product, how likely would you be to invest in this product?

Very likely	Fairly likely	Not very likely	Not at all likely	Likely (NET)
5%	26%	47%	22%	32%

If you were to invest in this product, what amount of your investment portfolio would you look to allocate to it?

	Less than £500	£500 - £999	£1,000 - £1,999	£2,000 - £4,999	£5,000 - £9,999	£10,000 - £20,000
Total (160)	16%	23%	28%	21%	9%	3%
£50k-£99k (73)	22%	23%	36%	15%	3%	1%
£100k-£199k (51)	12%	20%	25%	29%	12%	2%
£200k-£299k (13)	8%	38%	23%	15%	8%	8%
£300k-£1m (23)	13%	17%	13%	26%	22%	9%
Total £100k+ (87)	11%	22%	22%	26%	14%	5%

Which of the following tax incentives, if any, would encourage you to invest in this product?

The ability to offset any capital losses against tax bill up to a limit	The interest or dividends you receive are exempt from income tax	Neither of the above
34%	59%	31%

How would you rate each of the following product features in terms of their appeal to you personally?

	Very appealing	Fairly appealing	Not very appealing	Not at all appealing	Appealing (NET)
Investment return	7%	45%	33%	14%	52%
Risk to capital	3%	25%	41%	31%	28%
Liquidity/access to capital	3%	36%	45%	15%	40%
Level of engagement with social enterprise/charities being invested in	15%	48%	27%	10%	63%
Social, community or ethical benefit	19%	51%	21%	8%	71%

Which of the following best describes how you think about this product?

Total likely to invest	Part of my investment portfolio	Part of my charitable/ philanthropic activity	A new type of activity
160	31%	28%	42%

Social Enterprise Property Fund

How easy is it to understand what this investment offers and does?

Total	Very easy	Fairly easy	Not very easy	Not at all easy	Easy (NET)
505	27%	59%	11%	2%	87%

How appealing do you personally find this investment?

Very appealing	Fairly appealing	Not very appealing	Not at all appealing	Appealing (NET)
4%	37%	42%	17%	41%

Assuming any further investigation satisfied you about the details of the product, how likely would you be to invest in this product?

Very likely	Fairly likely	Not very likely	Not at all likely	Likely (NET)
4%	25%	47%	23%	30%

If you were to invest in this product, what amount of your investment portfolio would you look to allocate to it?

	Less than £5,000	£5,000 - £9,999	£10,000 - £19,999	£20,000 - £49,999	£50,000 - £100,000	More than £100,000
Total (149)	54%	31%	11%	3%	-	1%
£50k-£99k (64)	63%	20%	14%	3%	-	-
£100k-£199k (50)	52%	36%	8%	4%	-	-
£200k-£299k (12)	50%	33%	17%	-	-	-
£300k-£1m (23)	35%	48%	4%	4%	-	9%
Total £100k+ (85)	47%	39%	8%	4%	-	2%

Which of the following tax incentives, if any, would encourage you to invest in this product?

The ability to offset any capital losses against tax bill up to a limit	The interest or dividends you receive are exempt from income tax	Neither of the above
28%	54%	40%

How would you rate each of the following product features in terms of their appeal to you personally?

	Very appealing	Fairly appealing	Not very appealing	Not at all appealing	Appealing (NET)
Investment return	6%	35%	42%	16%	41%
Risk to capital	9%	44%	33%	13%	53%
Liquidity/access to capital	2%	27%	49%	22%	29%
Level of engagement with social enterprise/charities being invested in	10%	50%	30%	10%	60%
Social, community or ethical benefit	15%	52%	26%	8%	66%

Which of the following best describes how you think about this product?

Total likely to invest	Part of my investment portfolio	Part of my charitable/ philanthropic activity	A new type of activity
149	34%	27%	39%

Social Investment Fund

How easy is it to understand what this investment offers and does?

Total	Very easy	Fairly easy	Not very easy	Not at all easy	Easy (NET)
505	26%	60%	12%	3%	85%

How appealing do you personally find this investment?

Very appealing	Fairly appealing	Not very appealing	Not at all appealing	Appealing (NET)
5%	36%	34%	24%	41%

Assuming any further investigation satisfied you about the details of the product, how likely would you be to invest in this product?

Very likely	Fairly likely	Not very likely	Not at all likely	Likely (NET)
5%	21%	45%	30%	26%

If you were to invest in this product, what amount of your investment portfolio would you look to allocate to it?

	£10,000 - £14,999	£15,000 - £19,999	£10,000 - £19,999 (excluding the first 2 breaks)	£20,000 - £29,999	£30,000 - £49,999	£50,000 - £74,999
Total (131)	65%	9%	13%	9%	2%	2%
£50k-£99k (54)	69%	7%	17%	7%	-	-
£100k-£199k (35)	57%	20%	6%	14%	3%	-
£200k-£299k (15)	67%	-	27%	-	7%	-
£300k-£1m (27)	67%	4%	7%	11%	4%	7%
Total £100k+ (77)	62%	10%	10%	10%	4%	3%

Which of the following tax incentives, if any, would encourage you to invest in this product?

Can be held in an ISA	The ability to offset any capital losses against tax bill up to a limit	Neither of the above
47%	37%	38%

How would you rate each of the following product features in terms of their appeal to you personally?

	Very appealing	Fairly appealing	Not very appealing	Not at all appealing	Appealing (NET)
Investment return	17%	49%	22%	13%	66%
Risk to capital	3%	19%	49%	29%	22%
Liquidity/access to capital	6%	32%	43%	18%	38%
Level of engagement with social enterprise/charities being invested in	10%	49%	29%	12%	59%
Social, community or ethical benefit	18%	49%	23%	10%	67%

Which of the following best describes how you think about this product?

Total likely to invest	Part of my investment portfolio	Part of my charitable/ philanthropic activity	A new type of activity
131	42%	25%	33%

APPENDIX 3: MOTIVATIONS FOR SOCIAL INVESTMENT – THEORETICAL FRAMEWORK

We were interested to understand interviewees' motivations connected to making a social investment, which can inform effective future interventions to promote such investments. Our theoretical framework focuses on the factors or principles that are proven to bring about population behaviour change, suitably interpreted within the multiple-process framework that is now becoming prominent in psychological sciences. Most traditional interventions in psychology aim to produce rational changes in cognitions to bring about behaviour change. In particular, persuasion and education campaigns aim to change attitudes by relying on reflective processing of the provided information (see Shumaker *et al.*, 2008). In reality, however, truly informed choice rarely happens, as changing intentions accounts for between 3 per cent and 28 per cent of the variance in behaviour change, depending on whether researchers employ experimental (Webb & Sheeran, 2006) or correlational (Sheeran, 2002) methods respectively.

In contrast to economic models of rational choice suggesting that we respond to price signals and information, insights from behavioural sciences suggest that human behaviour is actually led by our very human, emotional and fallible brain. As a result, researchers developed a second route that relies mostly on contextual changes to bring about automatic, reactive and often unconscious changes in behaviour that is not so much thought about, it simply comes about (Bargh & Chartrand, 1999). This resonates with recent attempts to characterise a more realistic model of human decision-making, which might help shape new policies that nudge people to make better decisions in more sophisticated ways than the mere provision of information, in effect by changing the *choice architecture* (Thaler & Sunstein, 2008).

In order to understand motivations for social investment, we need to provide a more complete account of how automatic processes control behaviour. Recent evidence from cognitive neuroscience suggests that, in addition to our 'rational self', there are also two types of automatic mechanisms that underlie human motivation and action. Thus, there are three core brain systems, which generate psychological processes such as thoughts, feelings, and habits, and can also independently influence behaviour.

First, *reflective thought* is embodied in the goal-directed systems, which engage in model-based reasoning to simulate future outcomes and calculate sequences of actions to achieve valuable goals. Second, *impulsive motivation systems*, are based on evolutionarily acquired affective responses (e.g. disgust, greed, attraction) to specific environmental stimuli (e.g. food, money, social groups), and assigns value to only a small set of 'prepared' behaviours (e.g. approach, avoidance, consumption, defensive and fighting responses). Third, *habit (reflexive) systems*, is centred on learning through repeated practice in a stable environment, to flexibly assign values to a variety of adaptive motor actions and mental operations. In summary, goals, impulses and habits are the three controllers of human action.

In order to provide a more fine-grained analysis of the various subtle motivations behind social investments, we need to say a bit more about how the two automatic systems, impulses and habits, are manifested in human behaviour. Designing behaviour change interventions (e.g. as in marketing) should usually start with a profound analysis and understanding of the behaviours in question, namely what are the drivers and barriers of the maladaptive behaviours and/or the desired behaviours (Abraham & Michie, 2008; Shumaker *et al.*, 2008). Only then (e.g. knowing that a particular behaviour is driven by a specific type of habit or impulse) we can know what techniques are most effective in the specific circumstances (as habits and impulses are triggered by different methods).

Impulsive 'drives' and 'emotions' can be deconstructed into more specific motivational states. Fiske (2010, p. 16) provides a comprehensive up-to-date review of human motivations and proposes five core motives: *belonging* (need for strong, stable relationships, and affiliation); understanding (need for shared meaning and prediction); *control* (need for perceived contingency between behaviour and outcomes), *self-enhancing* (need for viewing self as basically worthy or improvable), and *trusting* (need for viewing others as basically benign). These core motives are derived from the logic of human adaptation in groups, and can be used as a theoretical starting point to generate other motives highlighted in the literature. We employ similar classification of specific impulsive or motivational states (e.g. belonging, understanding, control, etc.), which drive social investment behaviour.

Habit systems control both *action habits* (ways of doing things) and *mental habits* (ways of thinking about things). This distinction is encouraged by recent evidence supporting these two constructs and also by the specific purposes of designing behaviour change interventions. According to Bargh (1997, p. 28) "any skill, be it perceptual, motor, or cognitive, requires less and less conscious attention the more frequently and consistently it is engaged". Habitual control is mediated by instrumental learning, whereby an individual learns to associate a particular action or mental strategy with its value in a given situation without an explicit representation of the specific outcome or goal (which is a privilege of the goal-directed system). Consequently, actions and mental operations that lead to a reward are executed more frequently in the specific environment (and are triggered by cues characteristic of this environment), whereas those that lead to aversive events are executed less often.

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APPENDIX 4:
CLUSTER ANALYSIS INDEX

The Index is the mean-score for the cluster relative to the mean-score overall (total respondents level). Values over 100 indicate that the cluster has a higher than average mean-score and values less than 100 indicate that the cluster has a lower than average mean-score.

	Active interest		Passive interest	No interest/ Reject
Label	Assets £50-£99k	Assets £100k+		
Counts (%)	16	23	35	27
Being able to be personally involved in the charities, causes or projects being supported, e.g. volunteering or the potential to be director, would be an incentive for me to invest	135.0 (1)	125.8 (2)	85.5 (13)	76.0 (10)
I would like to be able to visit the social enterprise or charity and meet the management	127.5 (2)	129.2 (1)	87.0 (12)	75.7 (11)
I like the idea of social investment and would want to try out this new area	121.9 (3)	119.7 (3)	100.7 (10)	69.0 (13)
It is appealing to know that my money may come back to me and I'll be able to reuse it for another social investment	116.0 (4)	115.3 (4)	100.4 (11)	76.8 (8)
My decision as to whether or not to invest would depend on which charities or causes were being supported	113.5 (5)	109.9 (10)	102.6 (7)	80.1 (5)
Social investments are important to encourage social enterprises/ charities in the current economic environment (need for more funding because of government cutbacks)	112.4 (6)	111.8 (6)	104.55 (4)	76.5 (9)
Social investment would help make charities and social enterprises more business-like, i.e. clearer objectives, efficient, better managed	111.3 (7)	111.3 (7)	101.2 (9)	82.0 (4)
Before I'd invest, I'd need to be convinced that the money is going be used to result in social good and not for any other purpose	111.2 (8)	110.1 (9)	103.5 (6)	80.0 (6)
I would like to see case studies of the beneficial social outcomes of these products	110.9 (9)	114.2 (5)	105.4 (2)	74.2 (12)
Tax relief or tax incentives would encourage me to make an investment	105.9 (10)	110.6 (8)	106.1 (1)	79.3 (7)
I would need to be reassured that the investment fund was being professionally and efficiently managed	105.7 (11)	107.7 (11)	104.5 (5)	84.0 (3)
Social needs should NOT be covered by the government and taxation, BUT BY individuals	102.0 (12)	101.3 (12)	101.3 (8)	95.9 (1)
I DO want a return from an investment aimed at doing social purpose	101.7 (13)	97.1 (13)	104.59 (3)	95.4 (2)

APPENDIX 5: TECHNICAL APPENDIX FOR REGRESSION ANALYSIS

Methodology

We investigated the responses to two questions (targets) to see what attributes (drivers) influence the responses to those questions. Respondents for each target were grouped into two categories, high and low, based on their responses, and logistic regression was used to analyse the data.

The target variables were:

- QC: Likelihood to invest in a financial product
  - High = very likely (16 per cent)
  - Low = fairly likely + neither likely nor unlikely + fairly unlikely (84 per cent)
- Q1b: Satisfaction with overall financial circumstances
  - High = very satisfied + extremely satisfied (22 per cent)
  - Low = fairly satisfied to extremely dissatisfied (88 per cent)

The survey respondents were divided into two groups which were analysed separately. These were:

- those with over £100k of investable assets – up to £1 million (306 respondents)
- those with £50k to £100k of investable assets (199 respondents)

Thus there were four separate regression analyses in all (two targets times two groups).

The regressions were carried out in SAS software using a stepwise selection process. This process adds drivers one at a time to the model, provided that they are statistically significant, until no further drivers can be added. At each step it also may remove a driver from the model if that driver no longer contributes significantly. The final model consists of those variables (still) selected at the end of the process.

The list of inputs, from which drivers were selected, were those variables that it was felt were likely to have an impact on the target. They included survey questions:

- QA Investable assets
- QB Age
- Q4 When it comes to investing my money I tend to avoid risk
- Q4 I do not like to have my money tied up in long-term investments
- Q4 For me investment is all about making the best return
- Q4 I always seek advice before taking out investments
- Q5a Financial goal: Enjoy life after retirement without having to worry about income
- Q5a Financial goal: Support my child(ren)'s education
- Q5a Financial goal: Make sure I (and my family) are financially secure
- Q5a Financial goal: Improve my quality of life
- Q5a Financial goal: Save enough money to retire early
- Q5b And how satisfied are you with how your investments are meeting your financial goals?
- Q6 Knowing where your money is ultimately invested: how satisfied are you with your current range of investment product?
- Q10a How often do you give your time to

charities and/or local community activities?

- Q10b How often do you make donations to charities and/or local community activities?
- Q10d To what extent do you agree that ‘charities get all their money from donations’?
- Q11a How much do you feel you know about investments that also offer ethical, community or social benefits?
- C1 How many children aged 15 or under do you have that are still living at home?
- Retirement (from panel)
- Household income (from panel)

and derived variables:

- Early adoption factor (from Q4)
- Social investment factor (from Q4)
- Ratio of charitable giving to household income
- Ratio of charitable to investable assets
- Family = Any children aged 15 or under living at home
- Age Family interaction (age times family)

The regressions for the ethical investment target also had the following inputs:

- Q1b And how satisfied would you say you are with your overall financial circumstances?
- Q2 How would you rate your financial wellbeing?

The subsets of these inputs that were selected as drivers for the final models, and their impacts, are shown below.

Understanding the results

The outputs from the regression analyses include coefficients. These define the effect that a (one unit) change in the drivers would have on the target.

The relative importance of each variable is calculated by comparing the size of the standardised coefficients. (They are standardised because the drivers are not all measured on the same scales.)

The correlations of the drivers with the target are shown in the tables below. These indicate the one-to-one relationships between drivers and the target (whereas the coefficients are the relationships when other drivers in the model are taken into account.)

The r-squared value for each regression is also shown. This is the proportion of variation in the data that has been explained by the model. The values range between 22 per cent and 42 per cent. Including the remaining inputs in the models would make the r-squared values considerably higher, but these inputs have been excluded because they do not, individually, have a significant impact on the targets. The remaining variation, not explained by the model, is due to random effects or unknown drivers that were not available as inputs.

Results

1: Likelihood to invest: assets over £100k

Variable	Coefficient	Relative importance	Correlation with Target
Intercept	-7.63		
Q4_Factor2: Social investment	2.24	65%	0.34
QB Age	-0.66	35%	-0.20
R-squared = 29%			

2: Likelihood to invest: assets less than £100k

Variable	Coefficient	Relative importance	Correlation with Target
Intercept	-7.97		
Age*Family interaction	-1.68	20%	-0.04
C1: Any children at home	3.56	17%	-0.01
Q1b And how satisfied would you say you are with your overall financial circumstances?	1.28	14%	0.13
Q2 How would you rate your financial wellbeing?	-0.56	9%	-0.05
Q4_Factor1: Early adoption	1.23	9%	0.28
Q11a How much do you feel you know about investments that also offer ethical, community or social benefits?	0.90	8%	0.27
Q5b And how satisfied are you with how your investments are meeting your financial goals?	-1.45	8%	-0.12
Q5a Which of the following are current financial goals for you personally?	1.88	8%	0.10
Ratio of charitable giving : household income	0.03	7%	0.22
R-squared = 42%			

3: Satisfaction with financial circumstances: assets over £100k

Variable	Coefficient	Relative importance	Correlation with Target
Intercept	-8.74		
Q5b And how satisfied are you with how your investments are meeting your financial goals?	1.81	71%	0.34
Q6 Knowing where your money is ultimately invested: how satisfied are you with your current range of investment product?	0.68	29%	0.22
R-squared = 22%			

4: Satisfaction with financial circumstances: assets less than £100k

Variable	Coefficient	Relative importance	Correlation with Target
Intercept	-10.88		
Q5b And how satisfied are you with how your investments are meeting your financial goals?	3.11	100%	0.36
R-squared = 25%			

APPENDIX 6: TECHNICAL APPENDIX FOR CLUSTER ANALYSIS

Methodology

We used cluster analysis to split the respondents into distinct segments or clusters. The idea here is to group individuals together who are similar to each other but different from those in other segments. Similarity is determined using a set of variables that are used as inputs to the process. We used responses to all statements in Q22 (attitudes to social/ethical investment products). Therefore, the resulting clusters reflect different combinations of attitudes around these products.

The input variables were:

- Q22 I would like to see case studies of the beneficial social outcomes of these products
- Q22 I would need to be reassured that the investment fund was being professionally and efficiently managed
- Q22 Tax relief or tax incentives would encourage me to make an investment
- Q22 My decision as to whether or not to invest would depend on which charities or causes were being supported
- Q22 Being able to be personally involved in the charities, causes or projects being supported would be an incentive
- Q22 I would like to be able to visit the social enterprise or charity and meet the management
- Q22 Before I'd invest, I'd need to be convinced that the money is going be used to result in social good only
- Q22 Social needs should be covered by the government and taxation, not individuals
- Q22 Social investment would help make charities and social enterprises more business-like
- Q22 I do not want a return from an investment aimed at doing social purpose
- Q22 It is appealing to know that my money may come back to me and I'll able to reuse it for another social investment
- Q22 I like the idea of social investment and would want to try out this new area
- Q22 Social investments are important to encourage social enterprises/charities in the current economic environment

Cluster analysis is a two-stage process:

1. Hierarchical clustering to determine the optimum number of clusters in the data
2. K-means clustering to assign respondents to those clusters

Clustering Results

The first stage found that there are four clusters. The percentages of respondents in each cluster, as determined by the second stage, together with the names we have given them, are:

- No obvious interest (23 per cent)
- Rejection (4 per cent)
- Active interest (39 per cent)
- Passive interest (35 per cent)

However, one of them, Rejection, is very small (4 per cent) and very similar to a second cluster (No obvious interest). Since keeping them separate gave no additional benefit, we have grouped these two together under the name 'No obvious interest'.

In the profiling tables below, one of the clusters

(Active interest) has been split into two based on the value of investable assets:

- those with over £100k of investable assets – up to £1 million
- those with £50k to £100k of investable assets

Profiling

The profiles of the clusters are given in the following table.

The table has one row showing the cluster sizes and one row for each Q22 statement. There are two sets of columns for each cluster:

- Actual data columns (i.e. the mean response values for the statements)
- Indices. These show the value for the cluster relative to the value for the whole sample as a ratio (multiplied by 100). Indices are greater than 100 where the cluster value is higher than average and less than 100 where values are lower than average.

The scales are such that, in all cases, higher values are associated with greater satisfaction or stronger agreement with the statements.

Variable	Actual values					Indices vs. All			
	All	No obvious interest	Active interest Assets < £100k	Active interest Assets > £100k	Passive interest	No obvious interest	Active interest Assets < £100k	Active interest Assets > £100k	Passive interest
Sample Size	505	134	79	116	176	27	16	23	35
Q22 I would like to see case studies of the beneficial social outcomes of these products	3.8	2.8	4.2	4.4	4.0	74	111	114	105
Q22 I would need to be reassured that the investment fund was being professionally and efficiently managed	4.4	3.7	4.6	4.7	4.6	84	106	108	105
Q22 Tax relief or tax incentives would encourage me to make an investment	4.0	3.2	4.3	4.4	4.3	79	106	111	106
Q22 My decision as to whether or not to invest would depend on which charities or causes were being supported	4.1	3.3	4.6	4.5	4.2	80	113	110	103
Q22 Being able to be personally involved in the charities, causes or projects being supported would be an incentive	3.1	2.4	4.2	3.9	2.7	76	135	126	85
Q22 I would like to be able to visit the social enterprise or charity and meet the management	3.1	2.4	4.0	4.0	2.7	76	128	129	87
Q22 Before I'd invest, I'd need to be convinced that the money is going be used to result in social good only	4.2	3.4	4.7	4.6	4.3	80	111	110	104
Q22 Social needs should be covered by the government and taxation, not individuals	3.3	3.4	3.2	3.2	3.2	103	98	99	99
Q22 Social investment would help make charities and social enterprises more business-like	3.7	3.0	4.1	4.1	3.7	82	111	111	101
Q22 I do not want a return from an investment aimed at doing social purpose	2.4	2.6	2.4	2.5	2.3	107	97	104	93
Q22 It is appealing to know that my money may come back to me and I'll be able to reuse it for another social investment	3.5	2.7	4.0	4.0	3.5	77	116	115	100
Q22 I like the idea of social investment and would want to try out this new area	3.1	2.2	3.8	3.7	3.1	69	122	120	101
Q22 Social investments are important to encourage social enterprises/charities in the current economic environment	3.6	2.7	4.0	4.0	3.8	76	112	112	105

ENDNOTES

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ACKNOWLEDGEMENTS

NESTA would like to acknowledge the contribution of the Shaftesbury Partnership and Social Finance with developing the product stimulus materials that were used in the research.

Ipsos MORI staff: Charles Adriaenssens; Amy Zhong; Kirk Darby; David Groves; Sarah Castell; Daniel Cameron; Chris Bond; Patrick Noble

Dr Ivo Vlaev, Senior Lecturer, Centre for Health Policy, Imperial College London, for contributing Appendix 3 and support with Part 3 of the report.

Ipsos MORI

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Published: April 2011

ISBN 978-1-84875-123-1