Season 2, Episode 8: Investing for Impact

Liesel: I think how wealthy families show up civically and engage philanthropically is incredibly important, and we've created a society that depends on it. And that's just the truth.

Grace: Welcome to *Giving Done Right*, a podcast on everything you need to know to make an impact with your charitable giving. I'm Grace Nicolette.

Phil: And I'm Phil Buchanan.

Grace: Hey, Phil.

Phil: Hey, Grace. I am excited because today we're going to talk with Liesel Pritzker Simmons, who's the co-founder and principal of Blue Haven Initiative. It's a family-run impact investing office that she co-founded with her husband. She inherited her wealth—Pritzker family, Hyatt Hotels. She's also got this interesting background: she was a child actress. She starred in the lead role of the 1995 film *A Little Princess*.

Grace: I loved that film.

Phil: Good to know, didn't know that. She also played the daughter of Harrison Ford's character *Air Force One*.

Grace: What I love about this conversation is that we really get down into what is impact investing? And I think it's great to have her define it and to really place it in the giving landscape. Like when do you give a charitable gift? When is it impact investing? We also talk about what it's like to be an inheritor and how she thinks about giving and giving with her family. So I'm excited to dive into this interview. Here's Liesel.

Liesel Pritzker Simmons, welcome to the podcast.

Liesel: Thank you for having me.

Grace: So, you've had a really unique path to philanthropy. You began your career as a successful child actor from a high-net-worth family. And then you ended up establishing an impact investing firm with your husband. Tell us, why this work? Where does your philanthropic spirit stem from?

Liesel: Well, I guess, I mean—probably the acting part, I guess, is a bit unique—but other than that, I got born into a wealthy family and that, often, I feel like is a fast track to finding philanthropy, for better or for worse. But that was my most direct route.

But yes, when I was younger, I was an actor. I did mostly a lot of theater, but, also some film as well. And then really it was when I was in college, and I was still acting, but through a series of unfortunate events, I ended up inheriting all of my wealth when I was 21. And so I was in college, I was still doing theater, but I decided maybe I better focus on what's the best way to kind of steward these assets going forward, I feel a lot of, kind of, responsibility about that. So the first step was thinking about my wealth through the lens of philanthropy, but actually, relatively quickly, it turned into kind of broadening that out into impact investing. And what am I actually doing with my investible dollars in addition to what am I giving away? So it sort of expanded out from that.

Grace: Hmm. That's great. What does responsible stewardship mean to you? I mean, it strikes me that at 21, other folks who may have come into wealth may not have chosen philanthropy, perhaps, there's sort of any number of directions you could have gone, say more about the stewardship aspect of that for you.

Liesel: Well, I think that, you know, I come from a philanthropic family. I'm certainly not, by any stretch of the imagination, the first in my family to think really creatively about their philanthropic responsibility. And so that was kind of always—from both my mom and my dad—that was something that was always there and something that we were always really encouraged to think about.

But I think it extends though beyond just the, you know, establishing a foundation and giving money away. One of the things I'm really proud of my family is thinking about other ways to serve. So, whether it's in public service, whether it's elected office, and whether it's through the kinds of companies that we invest in as well, sort of, how do you think really holistically about what that means to be a responsible steward of capital? And it's not just about, you know, the dollars we give away. Of course, that's important as well, but how do we sort of broaden that definition?

Phil: Well, let's, let's talk about that Liesel—and it's so good to meet you—I'll just start by coming out as a bit of an impact investing skeptic, in the sense that, you know, sometimes the way it's talked about reminds me of that very old SNL skit from the '70s where it's like, it's a floor wax and a dessert topping, you know, and, sort of, like, I guess I wonder, can you really achieve very important societal goals while simultaneously, you know, reaping big investment gains?

That might be true in some discrete areas—I don't know, solar energy or something—but then in others feels harder to obtain that of perfect marriage of floor wax and dessert toppings. So, tell me, like, how do you think about philanthropy and when that's the right approach and then how do you think about impact investing and when that's the right approach and how do you even define that?

Liesel: So, I think this is a really, really good point. Right off the bat, I am not an "impact investing is the silver bullet" person. I'm sort of anti-silver bullets generally.

Phil: Me too.

Liesel: Because I feel once you start going down that path, you take all the nuance out of a conversation, and nuance is actually where things get done.

So, if we come at it from that standpoint, I think what we try to do at our family office—and whether it's investing or whether it's philanthropy or whether it's something entirely different is: what's the thing you were trying to do, and what's a good tool to do it with? Everything's a market these days. And actually not everything is a market—markets have very discrete functions, and they're good at what they do. There's a lot of stuff, a lot of stuff that markets are really bad at and should never get involved in. And so, I think if you come at it from that standpoint and you don't try to make everything into an investible idea, the world sort of opens up.

So, what we really genuinely try to do is say, where our market's actually good at scaling something? Where is there something where actually that type of—that kind of incentive structure, that type of scale is actually super helpful? And then how do we drive capital towards those things? And then just as importantly, where should markets stay the hell away from? And then how do you—maybe it's a policy angle, maybe it's a non-profit, civil society angle. But that's sort of the way that we try to think about it is where are markets good at helping to scale something or to solve a problem? And then, likewise, where do we keep them away?

I love the work of Michael Sandel—

Phil: Me too.

Liesel: —who's a philosopher who writes a lot about this. His book kind *What Money Can't Buy* is something that every Blue Haven employee reads. I think he has a line around, 'we used to be a society with markets, and now we're a market society' and that's really problematic. And so, I think that's how we try to think about it, and we don't always get it right.

Phil: You're speaking our language, I think. I mean, I think there's a, you know, I think this is just so right, and the overly simplistic notion that, you know, there's a market solution to everything is really problematic. And can you give us an example, in your own work, from each of the of domains that you just talked about? So, something you're pursuing philanthropically because it just makes no sense to pursue it with a market driven approach and what it is. And then something you're pursuing, through impact investing, because you do see that as the right model.

Liesel: So, I think that, you know, starting with the investment lens, two areas where I'd say—or two, kind of, industries or sectors—where we're sort of over-indexed, so to speak, would be in, you know, climate tech, renewable energy, and innovation. But actually let me—I'll focus on this because I think it's an interesting nuance. I think climate tech innovation, so these sorts of like big, bold ideas around carbon capture and around, sort of, new ways to harness industrial waste and like all of these sorts of things that are often still in the science experiment mode, I don't think have risk adjusted returns. I think those are great places for philanthropy and even better yet government grants, if we could stick with that, where there's lots of scale. It is a good place for them to play because markets aren't going to take on that risk yet, even if it seems really promising there's some philanthropy needed to de-risk those kinds of things. But then, once you are at a point where you've got a technology that you have tested out at least a little bit, and you've got some proof of concept, that's a great place for venture capital to come in and play. And then, if you need to scale that further, you're going to need a lot of project finance, usually, and a lot of infrastructure investing that, you know, brings in the debt players and things like that. So, I mean, even within climate tech, that is, I think, more market-based than, let's say, early childhood education. There are still nuances even within that spectrum.

But then a lot of where our philanthropy and advocacy work has gone, particularly of late, is around how do we keep sort of fair rules—whether it's policies around antitrust law or a wealth tax or things like that. How do we actually leverage policymakers to not kind of constantly privilege people like me and my family, but actually to then reinvest assets into things that are not market-driven, like, I think, early childhood education? I think broadly speaking, as a society, we've decided that we're not willing to invest as much as we should, from a market standpoint, into young people and education—that has always sort of fallen on the state and on philanthropy. So, I think those are some like really big, broad strokes, but again, we still—we do have some ed tech funds in our portfolio that I think have cracked the nut, but they're very niche plays.

Phil: And obviously a lot of philanthropy is addressing market failure. So, philanthropy supporting nonprofits is often playing role that business or government just hasn't or can't or won't, to your point.

So, we, on this podcast, you know, we talk to a lot of folks who probably come to the podcast because they are thinking about their giving, and maybe they haven't thought as much about the other side, about how their money is invested. So, take us a little further in, like, defining what is impact investing to you? Does it mean accepting lower returns, for example, financially, in order to gain in impact? How do you think about it? Because I ask people, how do you define impact investing? And I get as many answers as the people I ask the question. I'm curious how you think about it.

Liesel: I will definitely give you my point of view, but I also will say though, I mean, I think even of traditional investing, like, you ask a hundred investors, what makes you a good investor? And you're going to get a ton of different as well, even on the traditional side.

Phil: Good point.

Liesel: But impact investors are often held to a double standard, so I'll try and live up to it. What this means for me at its, sort of, very minimum is that every investment that I make has an impact. So that's the first, sort of, like, just grounding principle is that every investment is in fact doing something in the world, and then that thing could be measured—there's probably going to be some intangible aspects to it as well—but my goal, then, is to try to figure out how to measure those things and then, like any good investor, how to get better on the metrics that we set. And so first it's just acknowledging that everything is, in fact, doing something.

And then, to sort of put the moral lens on, is that something that the investment is doing something I would be proud of? That I would want to explain to my kids? Is it something I want to take responsibility for—well, I mean, I am, you have to anyway. So, how do we make it something that you would be proud of and take into consideration maybe some of the extra financial aspects of that investment that are happening regardless if you're measuring them or not?

And so, for us, it really is a more rigorous lens than traditional investing. You can't *just* do due diligence from a financial standpoint. That's not good enough. You have to take into account other aspects of what that investment's doing. You know, do they have good labor practices? What's happening to the land where the assets sit? Like, just thinking through all those things. And we think it makes us better investors because we can spot risks before they happen.

If you're investing in something that's got a lot of physical assets in south Florida, you may want to be aware of hurricanes and climate risk that may actually materially affect your bottom line, let alone, sort of, thinking about the whales and the manatees—it's also a financial risk. And so that's the lens that we take to it. But then, that's kind of where the large-scale platitudes stop and everything—each investment looks a little different and has different criteria that we're really focused on based on what it's trying to do.

Phil: And, just to zero in on this question of returns. What are your expectations? I mean, do you expect to be below, sort of, standard benchmarks because you are applying different, more stringent criteria? Or do you believe that because of what you just described—which is the ways in which negative impacts can become business risk—that ultimately you will have the same or even higher returns, or do you not have an assumption about that?

Liesel: We have different buckets that have different, sort of, characteristics to them, but for the vast majority of our portfolio—so everything has an impact lens on it—but the vast majority is the latter of those two points where we think that this style of investing will actually lead to outperformance, if we're careful about the sectors, to my earlier point, that we're actually focused on. And I mean, you look at generation investment management, ownership capital—like, sustainability-minded, active managers have outperformed. They have. I mean, you look even in the VC world, like everyone in their mother has a climate tech fund now. So there's, like, the investment world seems to sort of be catching up and then leapfrogging, I think, traditional impact investors, which has its ups and downs as well. But to finish off, there are some kinds of investments, it's a smaller portfolio for us—I suppose the impact return we're seeking outweighs the financial consideration, and so there are some of those too. So, we kind of run the gamut. So, I'd say we are a market-rate impact investors for the majority of our portfolio, and then we have a little experimental pool where we play around with some new structures and things like that, but the returns pressure is off of that part of the portfolio.

Grace: For the part that is more charitable and focused on impact, what are some of the ways that you go about understanding that impact?

Liesel: So, a variety of different ways. I mean, usually what we do, whenever we're looking at an investment is with that management team, you know, first of all, really understand what it is they're trying to do. If it's building affordable housing units in this certain way, if it's project finance for renewable energy, like, what's the thing actually trying to do? And then what are a couple of key metrics that we can hold ourselves accountable to?

But we don't usually superimpose that on the investment. That has to be something that the management team comes up with themselves because, first of all, they're the actual experts. It's, to me, it's similar to the relationship between a funder and a nonprofit; probably the people working at the nonprofit have a pretty good idea of their own work and what they should be managed towards. And so, we feel that same way with management teams of companies or funds that we invest in as well. So, you tell us what the appropriate metrics are, and then let's track against those together and see how we did.

And again, what we try to find in our market rate portfolio—and it's not always perfect—but what we're looking for is when those business metrics, and our impact metrics actually move in lockstep. The more units that are built or the more solar panels that are financed—or it's actually the metrics that we're measuring, both financial and nonfinancial—we want them to be moving in the same direction and be tied together. So that doesn't always perfectly happen, but those are the ones that we try to find because the more the investment scales, the more impact we're having.

Grace: How do you help maintain that balance? Because I imagine that even just thinking about points in time that you would make that assessment of, sort of, the impact as well as the profit might be pretty divergent. But I can imagine that projects might go one way versus the other, and sometimes it's out of our control, but how would you advise donors as they think about, kind of, getting into projects like these where you do sort of have a double bottom line lens on it? What if it's wildly profitable, but actually the impact is not what you thought?

Liesel: I think the first thing—and even though impact investing, as a concept, has certainly taken off in the, sort of, 12 years that I've been at this game—there's still a whole lot of—let's just take foundation endowments that couldn't care less about the impact of their actual endowments. So, like, step one is just, at least acknowledge that first point that your endowment's doing something.

Just because you don't want to measure it doesn't mean it isn't doing anything. So, the first thing is, I think, just to acknowledge that and then try to find things—you know, how much of your endowment is actively invested against your mission? Do you even know? I always think it would be really super fun if you had to report on your 990 what percentage of your endowment was aligned with your mission? And then that kicks the question, like, over to the accountants and the lawyers instead of, like, I dunno—I think that would be really fun to see how foundations would actually respond to something like that.

So, I think the first step is actually just acknowledging that that's the case. And then what I'd say then the next step is, is just do a diagnostic of what is in your portfolio. Do you know what it's doing? Where are the assets located? What is their carbon footprint? Like, there are tools now that are available, and most sophisticated investment advisors have someone in their shop that can help you, sort of, figure those things out. So, I think step one is: what's in my portfolio? Before we even focus on how to make it better.

Phil: This seems particularly hard in the area of publicly traded companies though, because of the pressure to maximize returns, kind of above all else. And we see how that plays out in terms of labor practices, in terms of product safety, you know, just time and time again. And so, can you talk a little bit about that and so, are your investments mostly in privately held companies where it's easier have mindfulness about these other dimensions?

Liesel: So, I think this is a really good point. Public companies are, by nature, usually very large, multi-pronged, there's, like, lots of lines of business and some of it could be okay, some of it could be, like—you know, you could have an electric vehicle company that has the world's worst, you know, governance and arbitration practices. Like, Facebook's carbon footprint is super small but, you know, the destroying democracy thing is a bit of a turnoff. So, like, is any one shareholder actually going to move the needle on what a public company does? I totally cede that point and that still makes me want our public portfolio to be something, again, I'm proud of. And we wrestle with these conversations with the investment committee all the time of: Why is this in? Why is that out? How does this fit in? And we're constantly asking our managers that, and they usually have fairly well-developed theses around why something's in or out.

But at the same time, I do think that this idea that investors can hold publicly traded companies accountable—I think it's an important directional signal—and where I actually see most of the change coming from is from the employees of those large corporations themselves. You know, I can sit here and rah, rah, rah all I want as an impact investor against one large, publicly traded corporation.

But when there is a generational shift that employees are saying, “this is not just a paycheck, I want to be proud of my work, and I want my company to be doing good, like, I want to be proud of it.” Then you start to see a push. Or when there's big employee actions, and that moves the share price down, like, that's, I think, where you start to see important directional shifts and that, you know, people are moral beings—we want meaning in our work, and if your workforce is an asset, then—there's all sorts of levers like that, I think, to pull as well.

On the policy side too, around disclosures, as an investor, I think I need more information when I'm making a decision about what companies I want to invest in. I want to know how many sexual harassment lawsuits are going on—I think that's a risk. I think that's maybe a risk. And so, I think we can move the needle in that way, but I totally cede that point that with some of these very large corporations it's a little bit—the impact is in the eye of the beholder, which is an extremely unsatisfying answer.

Grace: I'm curious, how did you educate yourself about impact investing and the various vehicles that we've talked about before establishing Blue Haven? I imagine there are others who may be wanting to dip their toes in—where did you draw your inspiration from? Were there particular resources that were helpful to you?

Liesel: When I kind of started wanting to move our investments in this way, I started really by, you know, conferences and going to meetings, meeting with different investors. There was a guy very early on who was a huge influence on how we set up our family office—Jed Emerson, who has been writing and doing so much in the impact investing space for ages. He was a big part of really the confidence building—as much as the strategy—of “just do it, just go for it. Screw what your investment advisors are saying. They'll catch on eventually, like, if this is something you want to do, go do it.” And then, yeah, a lot of joining networks. So, I'm a part of Toniic, which is an investor network. I’m part of The ImPact as well, which is a network of family offices that are doing impact investing—and what that was actually initially set up as was kind of the impact investing corollary to the Giving Pledge. So, with a lot of families that have signed the Giving Pledge, it's like, that's great, that's terrific. But what about how you make your money? Like, what about the other side of the shop? What's going on over there in terms of how you show up civically and impactfully? Honestly just a lot of peer networks, sitting down with other investors and learning from each other.

Phil: I want to pick up on something you just said about the questions about, “okay yeah, but how did you make the money?” Then earlier you referred to a wealth tax. And there have lot of critiques—and these are not new but intensified in recent years—honestly, of people like you, right? Where there is this perspective of well, you know, 'stop talking about your,' as Rutger Bregman said at Davos, 'all this stupid philanthropy and just pay your taxes,' which, you know, always sort of puzzles me in the sense that folks have the wealth that they have—do we really want to just say it doesn't matter what they do with it? This seems like a really problematic message. But you seem actually the embodiment of the counter to that message—someone who is simultaneously advocating to be taxed at a higher rate and devoting themselves—it seems quite comprehensively—to being somebody whose resources do good in the world. But I wonder what you think of the critique, and do you worry about its potential to influence others like you not to even bother trying? What's your take?

Liesel: It's a complicated conversation. And you know, I'm also coming at this with the psychology of inheritor which colors the way that I think as well, possibly differently than someone who had made their own wealth.

But I think how wealthy families show up civically and engage philanthropically is incredibly important, and we've created a society that depends on it. And that's just the truth. If philanthropy went away, you know, goodbye your local community theater, like, goodbye—you know, let alone the Met and other things like that. There's a lot of scientific research at universities that would just stop. We've created a society that does depend on this, and so I think continuing to get smarter and more strategic, more thoughtful about how families show up and give back civically is incredibly important.

You can be positive towards philanthropy but also say that it's not a substitute for good policy and good taxation rules. And so that's where I sit. I don't think I pay enough in taxes. I look at my effective tax rate, because of all of the complicated mechanisms of how my wealth sits, and I think I should be paying more. I'm paying less in an effective tax rate than the average American family, and that's totally counter to a progressive tax system. So, I just think we should get back to the tax levels that we had when our country grew its wealth the fastest. I don't think we should "get rid of billionaires" or demonize business success—I find that to be very unproductive. But I do think that our tax policy has slipped—to the detriment of investing in our own country.

Phil: And to your point, it would be incredibly damaging if the tradition of giving in this country faded, you know, we need folks to give, give effectively—and we can simultaneously pursue that and changes in our approach to taxation.

Grace: I want to come back to—you mentioned giving with your husband, and I know that you have young children, and you've spoken publicly about the importance of next generation giving. And I'm curious how you think about giving with your family and also, sort of, the legacy that you and your husband hope to leave.

Liesel: Oh well I mean, our kids are little yet, so we haven't gotten it all mapped out, but it is something that we actively think about and want them to be a part of what we do, but also not be too, sort of, dictatorial around, "here's a legacy completely buttoned up, now go execute on it." Like, there's got to be some, I think, some freedom and ability to find your own path. They could come back at us and say, "Yeah, this impact investing stuff is crap. I don't believe it. It's not doing anything. I only want to focus on public policy work." There's a lot of ways I think that they could challenge us going forward. But we're trying to build that flexibility into the governance as well of how do you be thoughtful and pragmatic about what you're doing, but, you know, make a case.

I always find it very interesting, particularly with wealthy families, this sort of like hide the ball thing of, like—"if I just don't tell our kids how much money we have, they won't grow up spoiled." I'm like, they have Google, their friends have Google.

Grace: Yeah.

Liesel: Yeah, if you haven't Googled your net worth, their friends have and they've told them, like, I hate to break it to you. So we've tried to kind of get out ahead of that. What do we want our kids to think who we are, where we come from, and how we want to show up? We're still figuring out what that is but erring on the side of more transparency earlier and also the flexibility and structure. So, you know, we don't have an endowed foundation. Our philanthropic giving, we actually use a DAF as a pass through every year. We try to keep our structures as flexible as possible. Maybe they will want to engage philanthropically, but they also might want to use the capital to bootstrap a company that they founded. So, we want to try to keep things as flexible as possible in terms of entity type

Grace: So, Liesel, at the end of every episode we ask each of our guests the question giving done right, to you, is about: fill in the blank.

Liesel: Giving done right to me is about nuance. I mean that's what we've sort of been talking about this whole conversation. Things do get messy and complicated, but that doesn't mean that they're not worth trying to figure out. So, giving done right, to me, is about embracing the nuance.

Grace: Thank you so much for joining us today.

Liesel: Thank you, thank you for having me.

Phil: So, Grace, what'd you think of Liesel?

Grace: I thought it was such an interesting conversation. I especially liked the answer to the last question.

Phil: Yes, in praise of nuance when it seems like everybody wants to offer up this as the answer or that as the answer, and Liesel's suggesting it depends on what you're trying to do, and that there's a role for markets, and there are real limits to markets.

Grace: Yeah, no silver bullets.

Phil: Exactly. Exactly. And philanthropy obviously plays a crucial role. We need nonprofits to do what business and government can't, but let's get away from the oversimplification that so often haunts conversations about philanthropy—even the critiques which are often about, "well, stop with your silly philanthropy games and just pay your taxes," which totally underestimates the incredible, profound, positive role philanthropy can play and doesn't factor in the fact that there are plenty of people, like Liesel, who say "that's right, I'm not paying enough taxes," and she's actually working on trying to get a wealth tax.

Grace: Right. I mean, I think the stakes are high. And you've made this point, and others have as well, that giving, you know, has been flat if you take out McKenzie Scott's big gift from last year, for instance.

Phil: Yep, right.

Grace: And so, over time, if people are really dissing philanthropy, what does that do to our civil society? I also want to come back to, I think, a really interesting point that we touched on, which is that tension between the individual decisions that we make and whether or not that individual decision actually makes an impact more broadly. And, you know, it's that whole idea of, they don't invest in things that are against their values and it may not actually move the market. But I imagine if there are millions of people like her, that that would make a difference. And so, it has to start somewhere. We can't just throw up our hands and say, “well, it's not going to make a difference.”

Phil: I appreciated that too. I mean, it really touches on a theme, I think, of this podcast that we come back to again and again, which is: you're one person. You have one life. You make choices, and they affect other people. So, gaming it out well, it might not make that much of a difference—you’ve got what you can control. And in her case, it's a lot of resources.

And I do want to add, too, I went into this conversation, as I said, a bit of a skeptic of impact investing because I think some of the folks in that movement have sort of offered it up as the silver bullet. And Liesel does not. She understands the limitations, and I thought was perhaps one of the very most powerful advocates for thinking about those questions. So, listeners listen to this podcast because they want to think about their giving. I think she poses the question to every giver who's got assets under management—what about the other piece?

Grace: So, Phil, where can people go for more information about effective giving?

Phil: Well, they can go, of course, to our website, cep.org, and also givingdoneright.org, which is where the podcast episodes and show notes live.

Grace: You can also find us on Twitter @gracenicolette and @philxbuchanan. You can send us a note with any suggestions or comments at gdrpodcast@cep.org.

Phil: I want to thank our sponsors, as always, the Walton Family Foundation and the National Philanthropic Trust. And if you liked the show, please leave us a review on Apple Podcasts; it really helps.

Grace: Huge thanks again to Liesel Pritzker Simmons for joining us today.

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