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WEALTH MANAGEMENT

Broadening the Spectrum of Investing: Opportunities and Demand for Investing in LGBTQ+ Equity & Inclusion



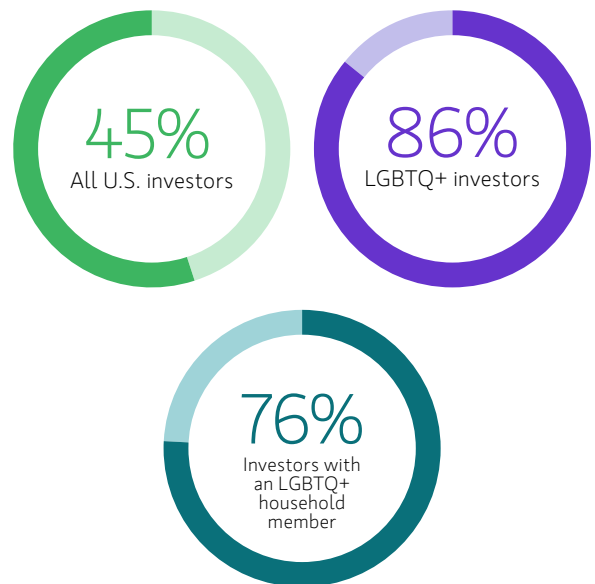
Summary

A survey led by the Morgan Stanley Institute for Sustainable Investing in partnership with the Institute for Inclusion and Wealth Management found that nearly half of all U.S. investors—including 86% of LGBTQ+ investors—want opportunities to invest in LGBTQ+ equity and inclusion across a broad range of products and strategies. This demand increases substantially among investors born after 1980 as well as heterosexual investors with a household member identifying as LGBTQ+ (76%). However, despite the growth of environmental, social and governance (ESG) investing, there are very few investment options today focused purely on LGBTQ+ equity and inclusion.² With 8% of U.S. adults and 21% of Gen Z individuals identifying as LGBTQ+, there is a potential business case to be made for delivering investment opportunities that could meet demand.

As with other types of thematic investing, such as those that focus on gender diversity or faith-based values, LGBTQ+ equity investing provides interested investors with products and strategies that help minimize harm and advance positive outcomes for the LGBTQ+ community while also meeting other financial goals. This opportunity will likely continue to grow as younger generations — a majority of which, our survey found, desire LGBTQ+ equity and inclusion investment options — inherit and build more wealth.

Our survey results provide key takeaways for asset managers and wealth managers looking to better serve LGBTQ+ stakeholders and identify market opportunity in this space. We also identify opportunities for asset managers to build out products and strategies in this area, which may also be useful for investors interested in incorporating LGBTQ+ considerations into their decision-making.

Investors who want opportunities to invest in LGBTQ+ equity and inclusion:



DEFINING LGBTQ+

The report uses the term 'LGBTQ+' to reflect those who identify as lesbian, gay, bisexual, transgender, and queer, with the '+' used to be inclusive of all additional non-cisgender and/or non-straight identities such as pansexual, asexual, intersex, gender non-binary and those questioning their gender and/or sexual identities.

¹ Respondents self-identified as heterosexual/straight. See Glossary in the Appendix for definitions.

² In 2022, Morningstar did not list any funds focused on LGBTQ+ equity and inclusion. Dedicated funds are relatively rare across many social themes.

Key Findings

Investor Demand for LGBTQ+ Equity Investing is High and Rising

- Close to half of all U.S. investors (45%) are interested in a broad range of investable products and strategies that advance LGBTQ+ equity and inclusion.
- Demand is highest among LGBTQ+ investors (86%), heterosexual investors with an LGBTQ+ household member (76%), Millennials (56%, ages 27-42) and members of Gen Z (67%, ages 18-26).
- Demand for these products and strategies will likely increase as wealth transfers in the coming decades to younger generations, a majority of whom expressed interest in investing in LGBTQ+ equity, and as the LGBTQ+ population in America continues to grow.

Institutions Can Better Serve Investors with LGBTQ+ Impact Objectives

- Investors interested in advancing LGBTQ+ equity currently face barriers, including lack of investment opportunities (42%), limited research and data (32%) and not knowing where to begin (31%).
- There is a business opportunity for asset managers to potentially close the demand-supply gap by bringing more LGBTQ+ products to market and cultivating relationships with interested investors.
- Should LGBTQ+ investment solutions become available, wealth managers could benefit from offering them to clients; 80% of LGBTQ+ investors and one-third of non-LGBTQ+ investors say they would be likely to switch providers to access better investing solutions in this area.

Toward a Framework for Investing in LGBTQ+ Equity & Inclusion

- Today, there are very few investment options focused purely on LGBTQ+ equity and inclusion. Interested investors and asset managers could leverage our framework to identify opportunities for new products or investment strategies targeting LGBTQ+ equity and inclusion.
- Based on Morgan Stanley Wealth Management's Investing with Impact model, the framework incorporates three main investment lenses to ensure a holistic approach to promoting LGBTQ+ equity:

1

Intentionally seeking market-rate financial returns alongside positive LGBTQ+ impact

2

Influencing behavior of companies or sectors to improve LGBTQ+ outcomes

3

Including LGBTQ+ representation in firm ownership and the investment process

- Philanthropy could also be an important tool for some investors looking to support impact-driven organizations advancing LGBTQ+ equity and inclusion.



METHODOLOGY

This report is led by the Morgan Stanley Institute for Sustainable Investing in partnership with the Morgan Stanley Institute for Inclusion and Morgan Stanley Wealth Management.

It presents results from an online survey conducted by the Institute for Sustainable Investing in April 2023. This survey's core representative sample includes 1,000 individual investors in the United States, with demographics such as gender identity, sexual orientation, race and ethnicity, age and geography matching 2020 U.S. Census records. This includes 8% representation for LGBTQ+ individuals. Respondents were required to be 18-80 years old. Income and investable assets were slightly skewed to higher categories to better represent Morgan Stanley's client base. Having a non-retirement taxable investing account was a pre-requisite to be included in the sample, except for those between 18-26 years old (Gen Z), where those planning to open an account were included.

An additional sample boost of 420 U.S. individual investors who identify as LGBTQ+ were included, and also representative of the U.S. LGBTQ+ population. Combined with the 80 LGBTQ+ respondents in the core representative sample, this provided a total LGBTQ+ sample of 500 respondents.

The report refers to responses from people self-identifying as part of the LGBTQ+ community. This may not capture instances when particular LGBTQ+ identities — such as gay, lesbian or bisexual, for example — or intersectional factors such as race may drive different experiences for individuals within the broader LGBTQ+ community. While the survey design allowed us to look at responses from various LGBTQ+ identities in greater detail, in many cases, very small sample sizes prevented answers from being statistically significant. While this is not a perfect solution, this approach is aligned with much of the academic research looking at issues affecting the LGBTQ+ community. See the Appendix for a breakdown of LGBTQ+ respondents by identity.

The source for all charts is the survey, unless otherwise indicated.

For more information on respondent demographics, please see the Appendix.

DEFINITIONS

Throughout the report, various terms are used that may require additional context. Please refer to the glossary in the Appendix for definitions and sample sizes.

Introduction: The Case for Investing in LGBTQ+ Equity & Inclusion

LGBTQ+ individuals continue to face inequities around the world. Investing in LGBTQ+ equity and inclusion uses investor capital to try and address these social and economic disparities, while also seeking market-rate returns.

According to the latest data from the U.S. Census Bureau, 8% of adults in the U.S. currently identify as LGBTQ+,³ a population larger than that of New York State. This figure is also on the rise, with over 20% of Gen Z adults identifying as LGBTQ+. As the number of LGBTQ+ individuals and their allies grow,⁴ there is also greater demand to do business with companies and financial institutions that are inclusive and well situated to better serve this community's needs.

LGBTQ+ individuals still continue to face inequities around the world, from discrimination in the workplace and healthcare to challenges accessing capital. For example, in the United States:

- Half of LGBTQ+ workers report experiencing workplace discrimination at some point in their career⁵
- More than one-third of LGBTQ+ employees have left a job for being treated poorly⁶
- LGBTQ+ startup founders have raised just 0.5% of venture capital in the United States, despite representing 8% of the total population⁷

Investing in LGBTQ+ equity describes the effort to direct investment capital toward the advancement of populations historically disadvantaged based on their sexual orientation or gender identity. The goal is to advance equitable and inclusive opportunities for the LGBTQ+ community by using investor capital as a lever to help minimize objectionable harm and advance positive outcomes for the LGBTQ+ community. As with other types of thematic investing, other financial goals are also considered.

0.5%

of venture capital in the United States is raised by **LGBTQ+ startup founders**

³ [U.S. Census, New Household Pulse Survey Data Reveals Differences between LGBT and Non-LGBT Respondents During COVID-19 Pandemic \(November 4, 2021\)](#)

⁴ [Human Rights Campaign, Equality Electorate: The Project Growth of the LGBTQ+ Voting Bloc in Coming Years \(October 2022\)](#)

⁵ [UCLA School of Law Williams Institute, LGBT People's Experiences of Workplace Discrimination and Harassment \(September 2021\)](#)

⁶ [UCLA School of Law Williams Institute, LGBT People's Experiences of Workplace Discrimination and Harassment \(September 2021\)](#)

⁷ [StartOut Index, Top Insights](#)

Investor Demand for Products & Strategies that Advance LGBTQ+ Equity and Inclusion

Nearly half of surveyed U.S. investors are interested in a broad range of investment options targeting LGBTQ+ equity and inclusion, with much higher demand among younger investors and those with an LGBTQ+ household member. The generational wealth transfer and growing LGBTQ+ population in America will likely increase demand.

Close to half of surveyed U.S. investors (45%), including 40% of those identifying as non-LGBTQ+, indicated they were interested in investment products and strategies that advanced LGBTQ+ equity and inclusion. This increased to 86% for LGBTQ+ investors, with similarly high levels of interest reported across sexual, gender and racial identities within the LGBTQ+ community.

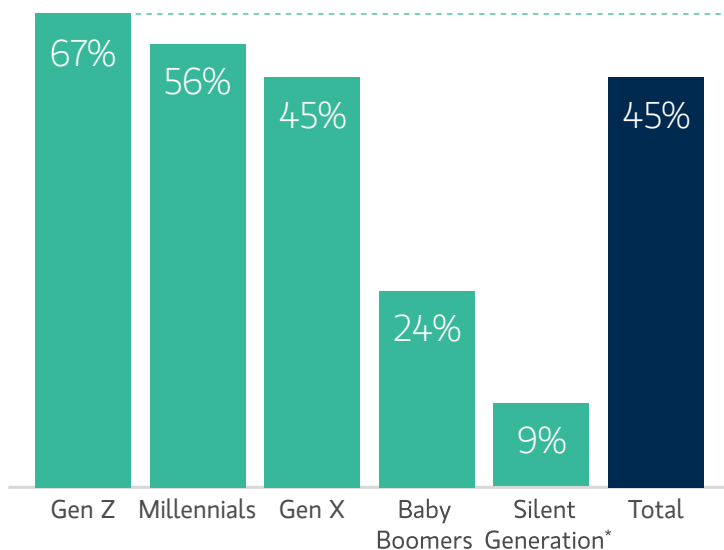
Interest was also particularly high for heterosexual investors with an LGBTQ+ household member (76%).

Among all U.S. investors, demand was strong among younger investors, with well over half of those born after 1980 interested in investment products and strategies that advance LGBTQ+ equity (Figure 1).

FIGURE 1

Demand was higher among younger respondents

How interested are you in finding investment products or strategies that seek to advance LGBTQ+ equity and inclusion?



Age ranges – Gen Z: 18-26, Millennials: 27-42, Gen X: 43-58, Baby Boomers: 59-77, Silent Generation: 78-80.

Respondents who answered Very or Somewhat Interested * Denotes a small sample size

67%

of Gen Z investors **want investment products and strategies** that advance LGBTQ+ equity and inclusion.

Investors Are Interested in a Broad Range of Products and Strategies

Investors interested in LGBTQ+ equity investing voiced demand for a wide range of potential investment products and strategies (Figure 2). More than 75% indicated interest in approaches ranging from minimizing objectionable impact against the LGBTQ+ community to targeting positive impact. Demand for the specific products or strategies did not significantly change based on the respondent's age, assets or LGBTQ+ identity.

Since the market currently offers very few products and strategies focused on LGBTQ+ equity and inclusion, these findings highlight a major opportunity for fund managers to meet demand by creating a wide range of products or strategies targeting this theme.

FIGURE 2

Interest levels were similar across broad range of investment options, from restriction screening to more active approaches

How interested are you in the following products targeting LGBTQ+ equity and inclusion?

Funds or strategies...

actively engaging with companies to improve their LGBTQ+ employee policies, practices and representation	87%
screening for and investing in companies with pro-LGBTQ+ employee policies, practices and representation	87%
managed by members of the LGBTQ+ community	86%
investing in companies offering products and/or solutions with relevance to the LGBTQ+ community	85%
from asset managers with LGBTQ+ inclusive policies for their own employees, or with inclusive statements as part of their investment principles	84%
targeting LGBTQ+ founders	77%
excluding companies that do not explicitly include protections for LGBTQ+ people in their labor rights policies	76%
Philanthropic giving targeting LGBTQ+ equity and inclusion efforts	82%

■ Very or Somewhat Interested

Barriers Limit Investors' Ability to Advance LGBTQ+ Equity and Inclusion

Our survey found that investors face many barriers to investing in this theme that go beyond the shortage of available products. While lack of investment opportunities was the most common barrier (42%) among interested investors, this was closely followed by a lack of research or data (32%) and not knowing where to begin when investing in this theme (31%). A minority of investors (13%) cited no barriers at all.

Given that 45% of U.S. investors show interest in products and strategies that advance LGBTQ+ equity, removing these barriers provides another business opportunity for the industry.

FIGURE 3

Limited investment opportunities are seen as the biggest barrier, followed by a lack of information

What do you see as barriers to investing in LGBTQ+ equity and inclusion?



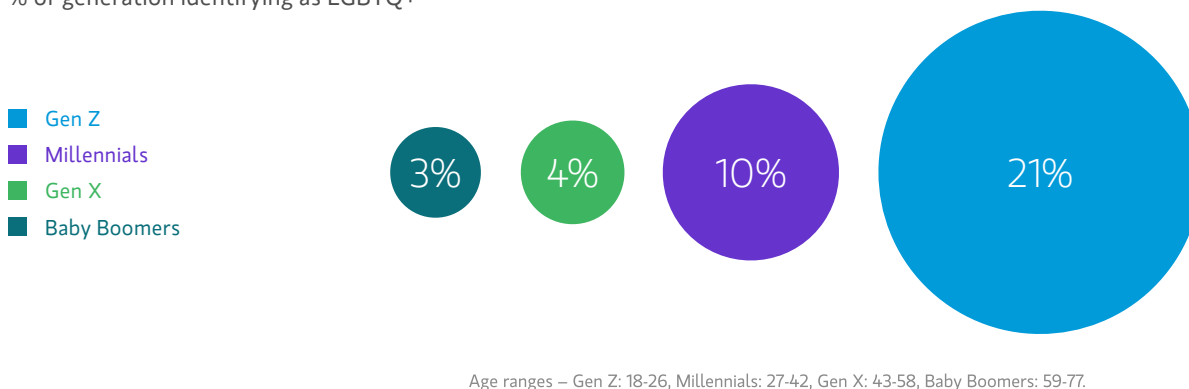
Generational Wealth Transfer Will Fuel Rising Demand

Demand for products and investment strategies that advance LGBTQ+ equity and inclusion was highest among younger age groups. This could reflect evolving attitudes around LGBTQ+ acceptance across generations as well as much higher rates of younger people identifying as LGBTQ+ (Figure 4).

FIGURE 4

Rates of LGBTQ+ identification are higher among younger age groups

% of generation identifying as LGBTQ+



As wealth transfers in the coming decades away from Baby Boomers, the market is likely to see substantial growth in assets under management (AUM) controlled by younger generations that are interested in LGBTQ+ equity and inclusion. Today, over 60% of wealth in the U.S. is held by those older than 58 years old⁸ (Figure 5), the vast majority of whom fall into the Baby Boomer generation (59-77 years). While some wealth, like pensions, may not be transferred to younger generations, nearly three quarters of equities and mutual fund shares are controlled by older generations. Research from Cerulli⁹ estimates that \$73 trillion – more than half of the overall wealth figure today – could be transferred down generations in the coming decades.

Combining data on generational wealth splits (Figure 5) with our survey responses, the Institute for Sustainable Investing estimates that around \$20 trillion of U.S. wealth managers' AUM is controlled by investors interested in LGBTQ+ equity investing, or over one third of the total market. Holding everything else equal, the wealth transfer could drive growth by over 40%, to just under half of all wealth managers' AUM (Figure 6).¹⁰

Receiving an inheritance is also a key moment for people to choose an advisor. U.K. research suggests that 65% of inheritors do not intend to use their parents' financial advisor.¹¹ Assuming the same may be true in the U.S., engaging with younger investors on themes such as LGBTQ+ equity and inclusion could be a significant opportunity for the industry to win or retain business.

⁸ [U.S. Federal Reserve, Compare Wealth Components Across Groups](#)

⁹ [Cerulli Associates, Cerulli Anticipants \\$84 Trillion in Wealth Transfers Through 2045, \(January 2022\)](#)

¹⁰ The methodology to arrive at these calculations was as follows: The U.S. Federal Reserve's data on wealth splits by generation was applied to Insider Intelligence's figure of \$58trn for 2020 US Wealth Managers' AUM. Responses by generation in Figure 5 were then used to calculate the \$20trn number. Cerulli's estimates for generational wealth transfer were then applied to create a post-generational transfer split of AUM, and the same responses by generation from Figure 5 used to calculate a post-transfer AUM figure. The generational wealth transfer was the only new variable; this does not assume any underlying growth in AUM or any increase in demand for investments serving LGBTQ+ equity and inclusion.

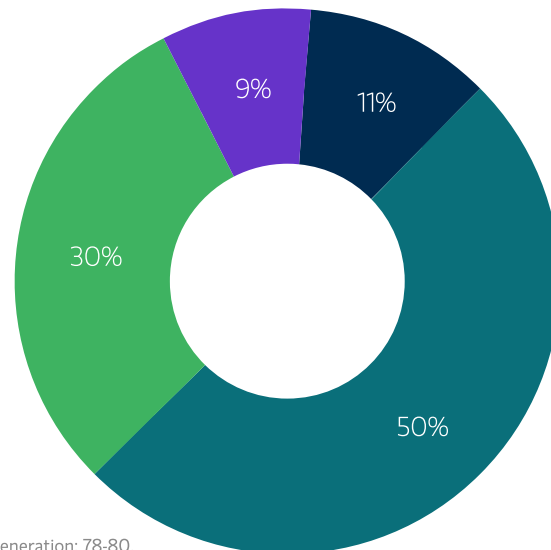
¹¹ [Adviser Home Development Platform, A practice Guide to Intergenerational Wealth Transfer for Finance Advisers](#)

FIGURE 5

Over 60% of U.S. wealth is held by those older than 58

Share of overall US wealth by generation

- Millennials
- Gen X
- Baby Boomers
- Silent Generation



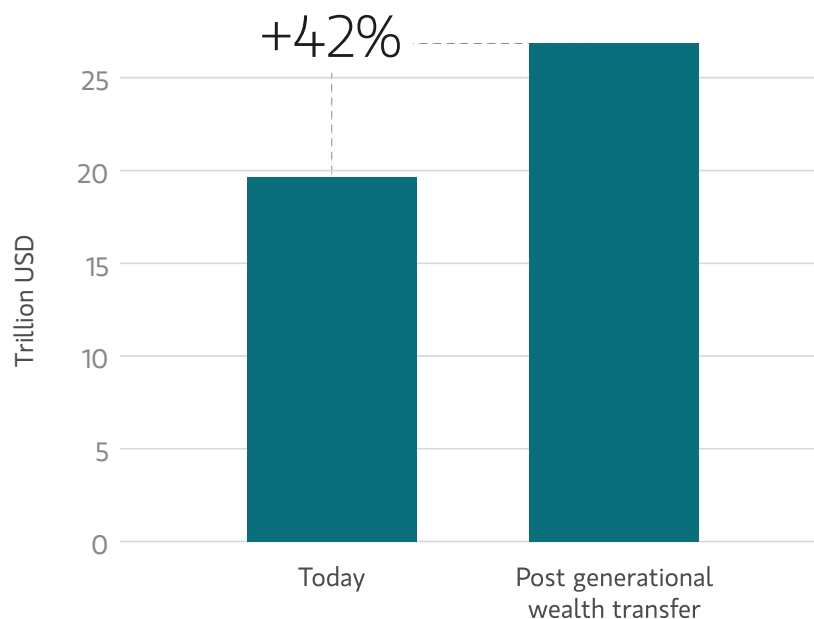
Age ranges – Gen Z: 18-26, Millennials: 27-42, Gen X: 43-58, Baby Boomers: 59-77, Silent Generation: 78-80.

Source: U.S. Federal Reserve

FIGURE 6

All else equal, the generational wealth transfer could boost AUM controlled by those interested in investing in LGBTQ+ equity and inclusion by more than 40%

AUM controlled by investors interested in investing for LGBTQ+ inclusion



Source: U.S. Federal Reserve, Insider Intelligence, Cerulli, Institute for Sustainable Research

How Institutions Can Meet Demand and Better Serve the LGBTQ+ Community

Based on investor demand and the nascent state of this investing theme, we explore how asset managers and wealth managers can help bridge the current market gap for investing in LGBTQ+ equity and inclusion.

Asset Managers

Asset managers have a unique opportunity to address the unmet demand highlighted in our survey. By expanding products and services targeting LGBTQ+ equity, they can differentiate themselves in the market and position for the potential future boom in this area as wealth transfers to younger generations. As previously shown in Figure 2, interested investors seek a broad range of strategies, from screening approaches to funds that target positive impact.

How Can Asset Managers Better Serve Investors Interested in LGBTQ+ Equity and Inclusion?

1. Close the Supply-Demand Gap with a Range of Investment Options

Despite 45% of all U.S. investors being interested in investing in LGBTQ+ equity and inclusion, there are very few products and strategies currently in market. This was also the top barrier investors cited when trying to invest in this theme. Asset managers have multiple options available to them for offerings that begin to close this supply-demand gap. Any new product or strategy could be well received by more than 75% of the interested investor pool (Figure 2). Asset managers can also use the framework on page 15 to better identify investment opportunities and approaches that advance LGBTQ+ equity.

2. Establish Early Leadership

The pending wealth transfer to younger generations suggests even greater demand in the future. Asset managers who wish to capture this growing interest can establish early leadership not only by providing investment products but also by fostering unique client relationships and generating thought leadership. The latter approaches will further advance investor knowledge and awareness, addressing the barriers about not knowing where to begin and lack of data cited by survey respondents.

Wealth Managers

LGBTQ+ Investors Are More Active Decision Makers and More Engaged with Portfolios

Surveyed LGBTQ+ investors are around 25% more active and engaged than the total investor population (Figure 7). In addition, LGBTQ+ investors are much more likely than the total investor population to take actions that investigate the impact of their portfolio on the LGBTQ+ community.

For example, LGBTQ+ investors are twice as likely to contact a portfolio company to express concern about their poor LGBTQ+ policies and practices. They are also almost twice as likely to screen investments according to a company's diversity, equity and inclusion efforts, spend time researching an investment fund's LGBTQ+ equity and inclusion efforts and exit a position due to a portfolio company's actions (Figure 7). Given this profile, LGBTQ+ investors offer wealth managers an opportunity to differentiate themselves through targeted approaches that meet these investors needs.

FIGURE 7

Surveyed LGBTQ+ investors were more active and engaged

How active are you in decisions about your personal investments?



FIGURE 8

LGBTQ+ investors are around twice as likely to investigate their portfolio's impact on the LGBTQ+ community

How likely are you to take the following actions? (LGBTQ+ respondents, Very or Somewhat Likely)



LGBTQ+ Equity is Important When Selecting a Wealth Manager

A clear majority of LGBTQ+ investors (80%) and 38% of their non-LGBTQ+ peers say that the issue is an important factor when selecting a financial advisor or investment platform (Figure 9).

Similarly, 80% of LGBTQ+ investors and 31% of non-LGBTQ+ investors would consider changing their financial advisor or investment platform to access better products or strategies addressing LGBTQ+ equity and inclusion (Figure 10). This suggests LGBTQ+ equity and inclusion could be a key differentiator for financial institutions aiming to secure new clients.

FIGURE 9

LGBTQ+ equity and inclusion is important for selecting a financial advisor

How important is the issue of LGBTQ+ equity and inclusion in selecting a financial advisor or investment platform?

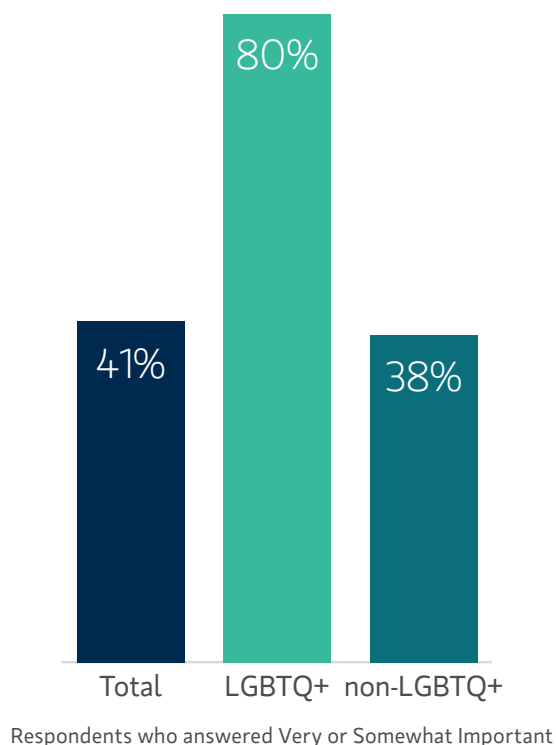
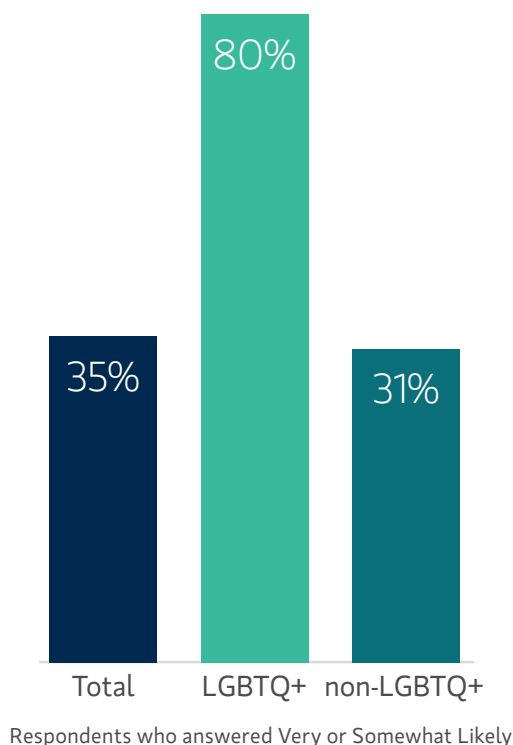


FIGURE 10

Investors would switch wealth managers for better offerings addressing LGBTQ+ equity and inclusion

How likely is it that you would switch to a different financial advisor or investment platform that has better offerings for financial planning, products or strategies addressing LGBTQ+ equity and inclusion and the needs of the LGBTQ+ community?



Identity is Important for Many LGBTQ+ Investors

Our survey found that 82% of LGBTQ+ investors would like the option to disclose their LGBTQ+ identity to a financial advisor. More than half (56%) said they would choose to disclose if given the option, suggesting that they not only want the option to be open about their identity, but that their identity may also play a key role in their investment decisions and goals.

A further 26% say they would like the option to disclose their identity but might choose not to do so. As Figure 12 illustrates, those respondents harbor concerns about being treated unfairly and data privacy, or have had prior experiences of discrimination by financial services providers.

FIGURE 11

Over 80% of LGBTQ+ respondents who use a financial advisor would like the option to disclose their identity

Do you want your financial advisor to provide the option for you to disclose your LGBTQ+ identity?

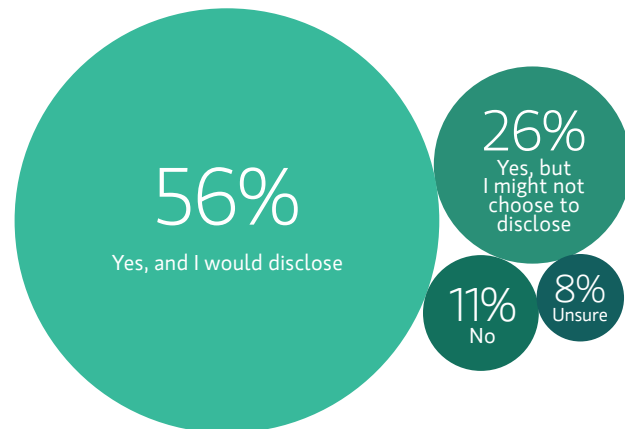
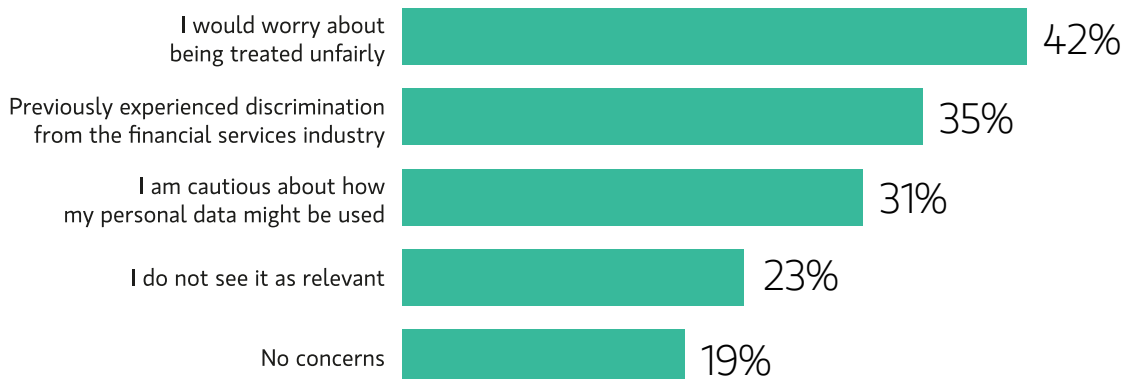


FIGURE 12

Some LGBTQ+ respondents don't see disclosure as relevant; others have concerns about discrimination or data privacy

What concerns might you have about disclosing your LGBTQ+ identity to a financial advisor or an investment platform?



■ LGBTQ+ respondents who use a financial advisor



How Can Financial Advisors Better Serve LGBTQ+ Investors

Financial advisors can play a key role in working with LGBTQ+ investors through their portfolios to develop an investment plan that integrates LGBTQ+ equity and inclusion impact objectives alongside financial goals and risk tolerance. Advisors who better understand the unique impact objectives of LGBTQ+ investors could differentiate themselves from peers, win new business and deepen relationships with existing clients. These unique needs include:

1. LGBTQ+ Investors Are Active and Engaged

LGBTQ+ investors are much more likely to directly engage with their portfolio companies to try and advance more positive LGBTQ+ outcomes. This includes researching a fund's LGBTQ+ impact and contacting a company to express concern about its practices towards the LGBTQ+ community. LGBTQ+ investors may look more to financial advisors to support these efforts and responsiveness from investment firms could help address unmet demand (86%) for investable products and strategies advancing LGBTQ+ equity.

2. Identity is an Important Part of the Investment Process

Four in five LGBTQ+ investors indicated they would select a financial advisor based on their approach to LGBTQ+ equity and related product offerings. Similarly, more than 80% want the option to disclose their LGBTQ+ identity to their advisor, but there are still some concerns around discrimination and data privacy, which advisors could alleviate.

Honor the journey

Financial institutions must do more to equip financial advisors and wealth managers with the resources, knowledge, and tools to understand and respect the experiences of diverse clients, recognize their past hardships, and celebrate their hard-earned successes.

Get personal

Investors are still on edge about the pandemic and ongoing economic uncertainty. Add that to a historical distrust of financial institutions, and these worries can have a real, lasting impact. Bringing a human touch while showing what can be achieved can instill confidence and increase trust.

Live diversity

Investors want actions and results, not words. Institutions must do more to deliver tangible results by ensuring equitable treatment for all and building more diverse workforces. This also means advisors must be versed on the historical context of their clients' wealth journeys as well as recent efforts and results.

Deliver expertise

Investors highly value expertise. Advisors should do what they do best and ease anxiety with empathy and realistic expectations around current and future financial challenges. The key is to help investors achieve financial success for themselves, their families, and future generations.

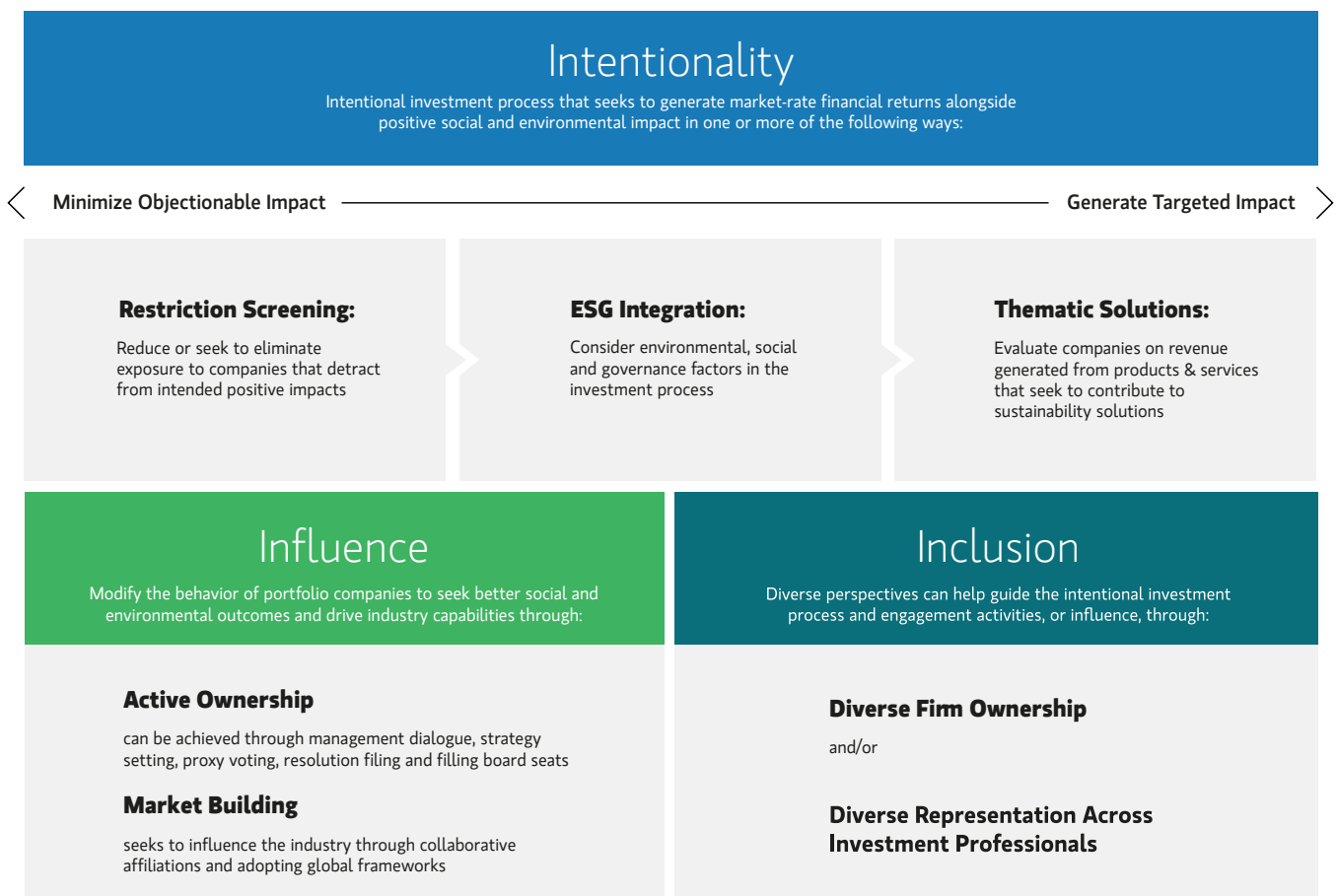
Toward a Framework for Investing in LGBTQ+ Equity and Inclusion

In this section, we map an LGBTQ+ investing lens onto Morgan Stanley Wealth Management's existing Investing with Impact framework, which represents the range of approaches that investors can pursue across asset classes to maximize positive impact.

There are very few options available in market today focused on LGBTQ+ equity and inclusion, evidenced by LGBTQ+ respondents citing "a lack of opportunities" as the main barrier to investing in this theme (45%). We outline constraints and highlight potential resources that asset managers may find helpful for creating products and strategies that help meet demand from interested investors. Wealth managers and interested investors could also use this framework to identify how to incorporate LGBTQ+ considerations into their investment decisions in a variety of ways, all of which should be considered in the context of an investor's overall goals.

Our Holistic Approach to Investing With Impact

The Three I's of Impact: Intentionality, Influence and Inclusion



Intentionality

'Intentionality' typically includes a continuum of approaches, from screening through integration to solutions. Our survey found broad-based interest across all three approaches (Figure 2), with no clear preference for one specific approach, suggesting that asset managers could offer any option across the continuum and begin to meet demand.

- **Restriction Screening:** This approach focuses on reducing exposure to investments that an investor believes detract from advancing LGBTQ+ equity and inclusion. Per our survey, 76% of investors interested in LGBTQ+ impact objectives are also interested in the ability to exclude companies that don't explicitly include protections for LGBTQ+ people in their labor rights policies.
- **ESG Integration:** 87% of interested investors reported demand for investing in companies that have efforts to promote of culture of LGBTQ+ inclusion through employee policies, practices and representation. While this could be difficult to measure based directly on company disclosures, third-party measures such as Human Rights Campaign's Corporate Equality Index or Global Workplace Equality Index could be helpful.
- **Thematic Solutions:** Investors could seek out companies with revenues generated from offering products or solutions that serve the LGBTQ+ community, such as inclusive retirement housing,¹² healthcare or lifestyle products and services. Currently, there are limited opportunities in this area.

Influence

'Influence' aims to modify the behavior of companies or sectors with the explicit purpose of driving industry capabilities directed at LGBTQ+ equity. An **active owner** would seek to directly engage with the portfolio company to evolve corporate behavior on issues such as LGBTQ+ representation in management, implementation of diversity and inclusion programs, and policies that protect LGBTQ+ stakeholders across the company's value chain. A **market building** approach aims to influence an industry or sector to advance solutions that improve LGBTQ+ equity or seek to create enabling environments for responsible business conduct.

Inclusion

Investors can evaluate the ownership structure of firms to accelerate the flow of capital toward LGBTQ+ owned and led managers and bring diverse perspectives to capital allocation decisions. Our survey found over 75% of interested investors want to pursue this avenue, rising to over 85% for funds managed by members of the LGBTQ+ community (Figure 2).

It is important to note that one of the biggest barriers to research on diverse ownership and representation at asset managers is the lack of data—cited as one of the top three barriers to investing in the theme (Figure 3)—which results in very limited means for systemically tracking diversity. As a start, the [Institutional Allocators for Diversity, Equity, & Inclusion \(IADEA\)](#)'s diverse manager database helps identify select funds that self-report LGBTQ+ characteristics.

¹² [Tonic, Stonewall Housing and Opening Doors London, Building Safe Choices 2020](#)

Philanthropy

Investors may also consider philanthropic giving to organizations with the primary mission of advancing LGBTQ+ equity, or major programming dedicated to the LGBTQ+ community. Our survey found that demand for philanthropic giving targeting LGBTQ+ equity and inclusion was particularly high among people who identified as heterosexual but have an LGBTQ+ household member (89%), even higher than responses from LGBTQ+ investors (87%).

Historically, LGBTQ+ organizations and volunteers have been instrumental in advancing key issues toward fairer treatment and equal rights, including marriage equality, HIV/AIDS education and treatment and broader public support in the media and society. Individuals could also consider, but are certainly not limited to, organizations seeking to:

- Provide critical mental health assistance, including suicide prevention
- Manage and develop transitional housing for homeless LGBTQ+ youth
- Provide college scholarships or financial aid for LGBTQ+ students
- Empower LGBTQ+ entrepreneurs with equal access to resources



Conclusion

A growing number of investors are beginning to think holistically about their investment portfolios, including how they can leverage their investment capital to advance equitable and inclusive opportunities for the LGBTQ+ community. Nearly half of all U.S. investors—and 86% of LGBTQ+ investors—want more investment products and strategies that advance LGBTQ+ equity. When taking the entire U.S. wealth management market (\$58 trillion) into account, this suggests that around \$20 trillion is in the hands of investors who want to invest in LGBTQ+ equity yet may not have viable opportunities to do so.¹³

This high demand is predicted to grow in the coming decades as younger generations with stronger interest in LGBTQ+ equity investing inherit and build more wealth, and the LGBTQ+ population continues to increase in America. Yet current supply of such investment products, and of related data, falls far short of demand. There is a business case for bridging this gap, and asset managers and wealth managers could benefit from better understanding the potential for impact and market leadership in this space. More work is needed to ensure that consistent, comparable and decision-useful data is available as well.

ACKNOWLEDGEMENTS

We would like to thank Colorful Capital, BSR and StartOut for providing expert input and advice in the development of this report. These organizations are not affiliated with Morgan Stanley.



¹³ The methodology used to arrive at these calculations was as follows: The U.S. Federal Reserve's data on wealth splits by generation was applied to Insider Intelligence's figure of \$58trn for 2020 US Wealth Managers' AUM. Responses by generation in Figure 5 were then used to calculate the \$20trn number. Cerulli's estimates for generational wealth transfer were then applied to create a post-generational transfer split of AUM, and the same responses by generation from Figure 5 used to calculate a post-transfer AUM figure. The generational wealth transfer was the only new variable; this does not assume any underlying growth in AUM or any increase in demand for investments serving LGBTQ+ equity and inclusion. The source for \$58 trillion figure is [Wealth Management Ecosystem 2022: US Market Industry Trends \(insiderintelligence.com\)](https://www.insiderintelligence.com)

Appendix

Definitions

Throughout the report, various terms are used that may require additional context. Please refer to this glossary for details on definition and sample sizes.

• Total (n=1,000)

- o Refers to the representative sample of 1,000 survey respondents and is largely representative of U.S. population. Subsets of the total population by assets, income and generation, as well as responses to specific questions, are drawn from the 1,000 total sample unless otherwise noted.

• LGBTQ+ (n=500)

- o Refers to the 500 survey respondents who self-selected that they identified as part of the LGBTQ+ community, which could include, but was not limited to, anyone identifying as lesbian, gay, bisexual, transgender, queer, intersex, pansexual, asexual, gender non-binary and those questioning their sexual or gender identity.

• Non-LGBTQ (n=914)

- o Refers to anyone who did not self-select as part of the LGBTQ+ community.

• LGBTQ+ Household Members (n=106)

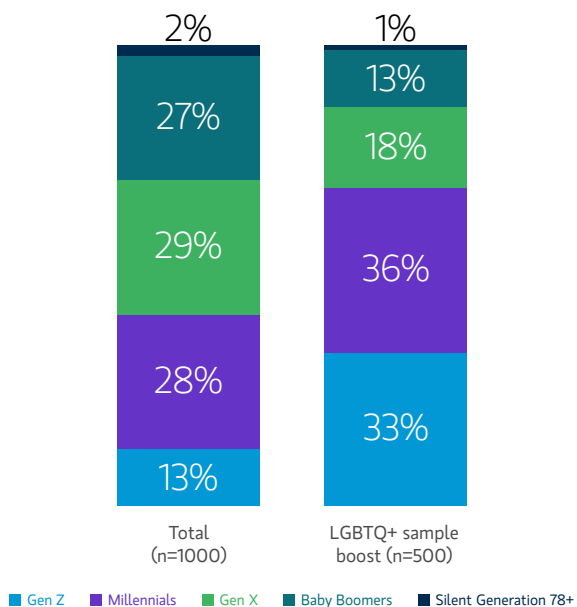
- o Refers to respondents who identified as heterosexual and disclosed that they have a member of their household who identifies as a member of the LGBTQ+ community.

• Generations:

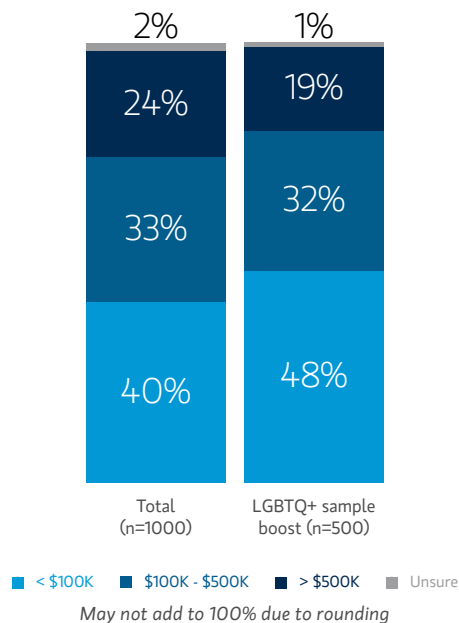
- o All respondents were required to be between 18-80 years old and were representative of age demographics per 2020 U.S. Census records.
 - Generation Z: 18-26 years (n=133)
 - Millennial: 27-42 years (n=281)
 - Generation X: 43-58 years (n=292)
 - Baby Boomer: 59-77 years (n=272)
 - Silent Generation: 78-80 years (n=22)
- o LGBTQ+ respondents skew younger than the total population sample. For some questions, the base was adjusted to reflect the LGBTQ+ generational split, which is denoted on the relevant charts.

Survey Demographics

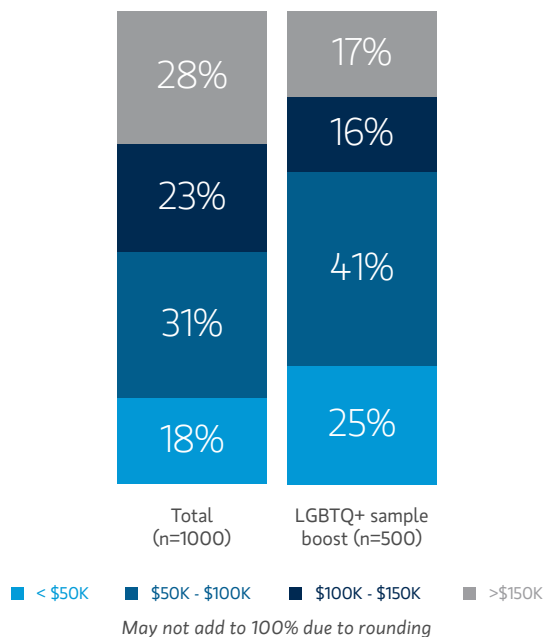
Respondents by generation



Assets in non-retirement taxable accounts



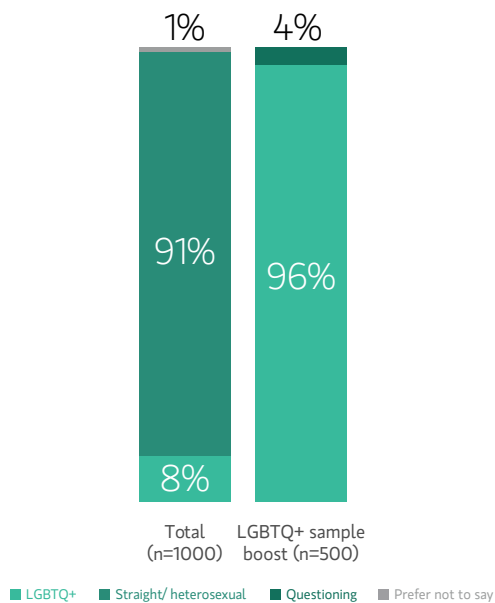
Annual household income



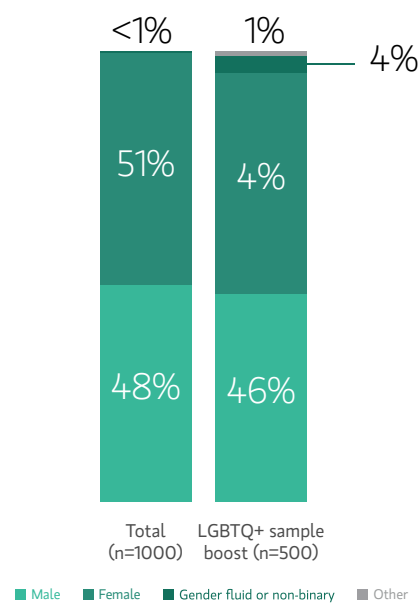
Racial or ethnic background

	Total	LGBTQ+
African American or Black (not of Hispanic origin)	13%	18%
American Indian or Alaska Native	2%	3%
Asian American	7%	4%
Hispanic American or Latinx	13%	21%
Native Hawaiian or Pacific Islander	0%	0%
White (not of Hispanic origin)	70%	65%
Two or more races	1%	0%
Other	0%	0%
Prefer not to say	0%	1%

Sexual identity



Gender identity



LGBTQ+ respondents in detail

Asexual ** (n=31)	6%
Bisexual (n=219)	44%
Gay (n=138)	28%
Intersex ** (n=5)	1%
Lesbian * (n=78)	16%
Pansexual * (n=48)	10%
Queer ** (n=24)	5%
Questioning or unsure ** (n=20)	4%
Transgender man ** (n=9)	2%
Transgender woman ** (n=6)	1%
Prefer to self-describe ** (n=5)	0%
Prefer not to say ** (n=1)	0%

Respondents could choose all answers which applied, so percentages sum to more than 100 * denotes small sample size, ** denotes very small sample size

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