
FAITH-BASED INVESTING:

The conversation clients seek,
The value advisors can add

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This work builds on the Praxis – sponsored August 2001 research *Where Faith and Wall Street Intersect*, refreshed in 2002 and 2003. The earlier work was a phone survey of investors only.

Highlights of the investor research:

- 44% said they incorporated their faith and values into financial decisions.
- 19% had heard of faith-based investing.
- 49% of respondents said if they knew more, they'd be more inclined to invest based on faith.
- More women were interested than men.

Executive overview

Faith-based investing: The conversation clients seek, the value advisors can add presents research conducted in the fourth quarter of 2024 sponsored by Praxis Investment Management™, an Everence company, and Everence® in partnership with Bellomy Market Research to gain perspective on the state of faith-based investing today. In its outreach to 1,001 individual investors controlled for age, region and gender and 403 financial advisors across multiple distribution channels, the work reveals gaps in awareness and disconnects in communications between investors and advisors.

Whether and how faith may be considered in investment portfolios is a conversation more than three-quarters of investors want to have with their financial advisor. However, advisors express discomfort about initiating the conversation, have relative low levels of awareness of solutions available, and lack confidence in the efficacy of those solutions. They are reluctant to engage clients on a topic about which they fear they cannot produce good results.

Where the respondents are of similar minds: advisors and investors who are aware of faith-based investing share views on its benefits. There's consensus that faith-based investing empowers investors to feel a sense of purpose and fulfillment. Advisors and investors both say it enables them to connect on a deeper level. Some advisors say clients invest more and give their investments more time to work. Many expect faith-based investing to gain popularity over the next decade.

In this research, faith-based investing is revealed to be an opportunity for advisors to better understand their clients' motivations and – wishes and to be part of their values-driven pursuit. The survey data, along with the accompanying qualitative comments offered by respondents, leaves no doubt that there's work to be done. Advisors' continued avoidance of the topic runs the risk of outcomes that are suboptimal, including for the quality of the advisor/client relationship. Conversely, simply asking the question: "Is it important for your portfolio to in any way reflect your faith?" has the potential to foster a deeper understanding and connection.

The following pages provide research highlights on three themes:

- I. The mismatch in awareness, and usage, of faith-based investing.
- II. Barriers and biases.
- III. Shared expectations of faith-based investing in the future.

RESEARCH THEMES:

- I. The mismatch in awareness, and usage, of faith-based investing.
- II. Barriers and biases.
- III. Shared expectations of faith-based investing in the future.

I. THE MISMATCH IN CURRENT AWARENESS AND USAGE

A. INVESTORS

The research revealed an interest on the part of almost half of investors surveyed (48%) for faith or values to factor into their investment decisions.

However, faith-based investing – which we define as the selection of investments that reflect the investor's values—is a concept familiar to less than one-quarter (21%) of respondents. Almost one out of two investors (48%) say they might be interested if they knew more about it. Just 5% of investors surveyed currently invest based on their faith. Faith-based investments, those respondents say, represent 37% of their portfolio.

People are interested in faith-based investing for two primary reasons. Some want their financial activities to be consistent with their ethical and moral standards. Others see themselves as stewards with a responsibility to support positive social outcomes and have real-world impact.

However, overall awareness is low, with investors reporting to be more familiar with other types of values-based investments, such as human rights, Environmental, Social and Governance (ESG), sustainable, animal welfare, etc.

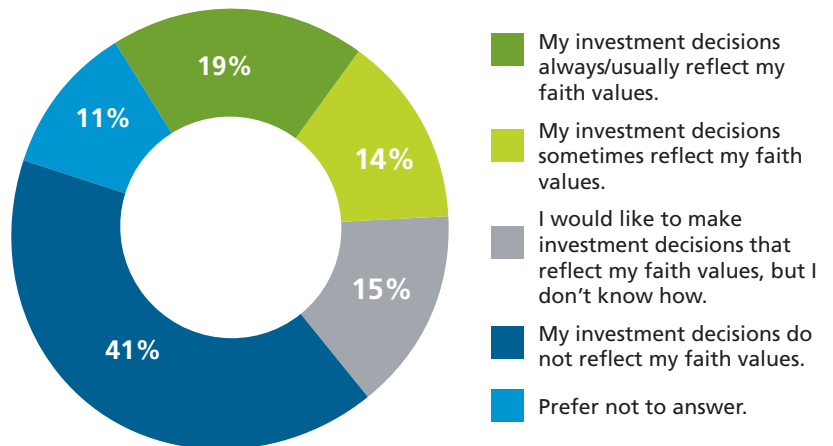
The chart below shows the varied ways investors approach incorporating faith and values into their investment decisions – note that just 29% mention including a financial advisor to help them with their faith-based investing.

Males, GenZ/millennials and religious/spiritual investors are more likely to invest based on faith. No significant differences are found when analyzing the data by household income (less than \$100,000 vs. greater than \$100,000) or color (white vs. non-white).

In my opinion, faith-based investing can serve as a powerful tool for individuals and organizations to express their values and make a positive impact in the world.

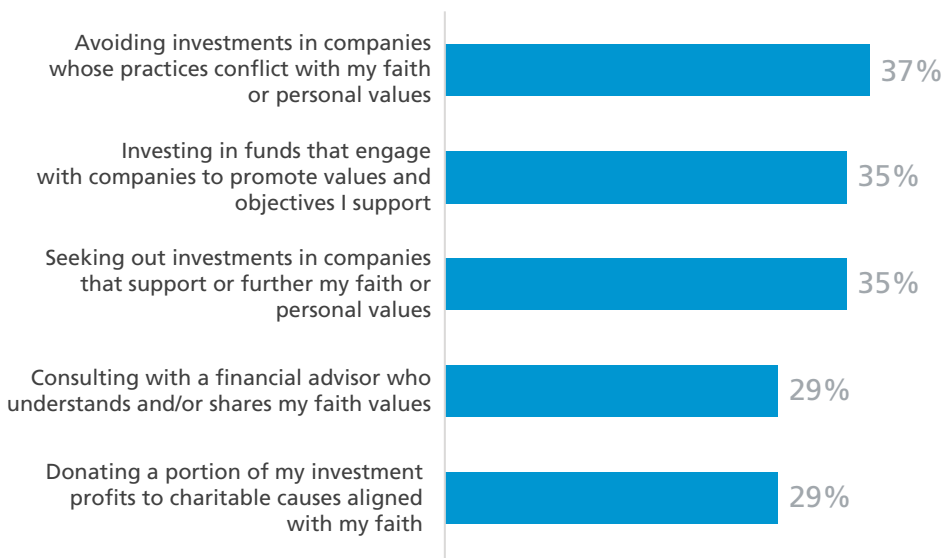
– INVESTOR

Do your investments reflect your faith?



Source: Faith-based investing: The conversation clients seek, the value advisors can add, Praxis Investment Management, April 2025.

How investors approach incorporating faith and values into investment decisions (% Yes)



Source: Faith-based investing: The conversation clients seek, the value advisors can add, Praxis Investment Management, April 2025.

B. ADVISORS

Six out of 10 (59%) financial advisors are aware of faith-based investing. While significantly higher than investors, this level of awareness is low in absolute terms. Slightly more than half (51%) have chosen faith-based investments on behalf of their clients, using:

- ETFs (37%)
- Mutual funds (36%)
- Screened portfolios (19%)
- Real estate investment trusts (15%)
- Community investment funds (14%)
- Venture capital (12%)

More than one-third of advisors (36%) say a client has asked them about faith-based investing. More than one-quarter (27%) report that client interest has grown over the past few years. More than one-third (34%) expect demand to grow in the next decade.

Even so, 91% of advisors do not raise the topic with a client. If the advisor and client talk about faith-based investing, according to the data, the client will need to initiate the conversation. There's also a pronounced difference between advisors and investors on their level of comfort with the topic.

Such hesitancy on the part of the advisor has consequences.

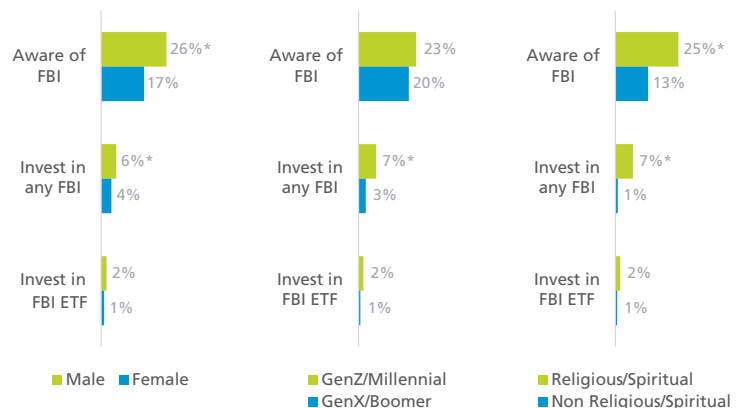
I have never heard of this approach and would be interested in how it can be implemented and who has success with this.

– **WIREHOUSE ADVISOR**, 10 to 15 years of experience

Never really talk about it and was not really aware of it.

– **WIREHOUSE ADVISOR**, 25 or more years of experience

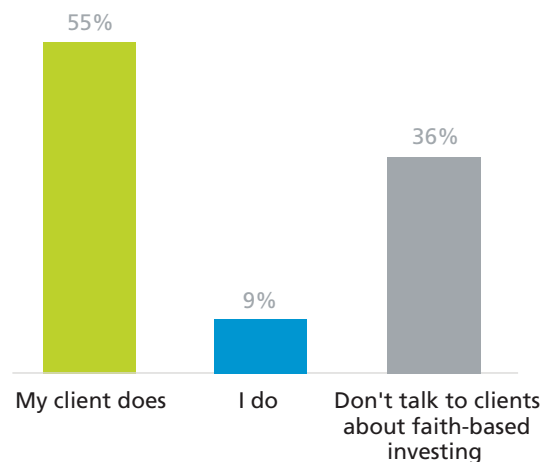
Males, Gen Z/Millennials, Religious/Spiritual are more likely to invest based on faith



*Significantly higher than comparison group at 95% confidence.

Source: Faith-based investing: The conversation clients seek, the value advisors can add, Praxis Investment Management, April 2025.

Advisors: Who initiates conversations about faith-based investing? (% Yes)



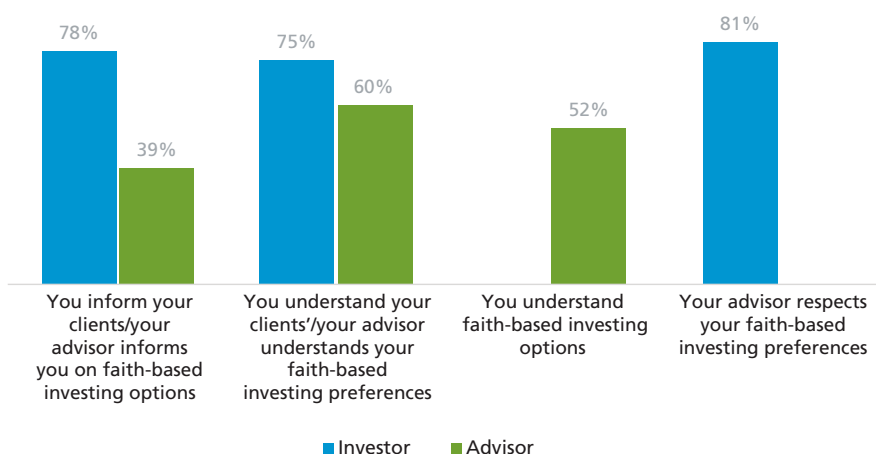
Source: Faith-based investing: The conversation clients seek, the value advisors can add, Praxis Investment Management, April 2025.

For one, the research suggests a striking disconnect between client and advisor expectations: Advisors fail to recognize what's important to their clients regarding their expression of their faith in their investments.

These differences are less pronounced between Registered Investment Advisors (RIAs), and their clients, and more pronounced with advisors at wirehouse and broker-dealer firms.

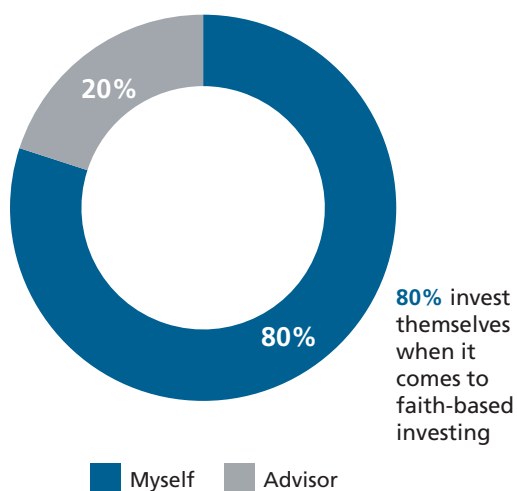
Further, a failure to acknowledge the importance of faith to some clients can have a tangible impact on their investment results. The data shows that, of those who say they are currently faith-based investors, eight out of 10 invest away from their advisors, choosing a mix that's markedly different from what advisors use.

Advisors are underestimating what's important to their clients



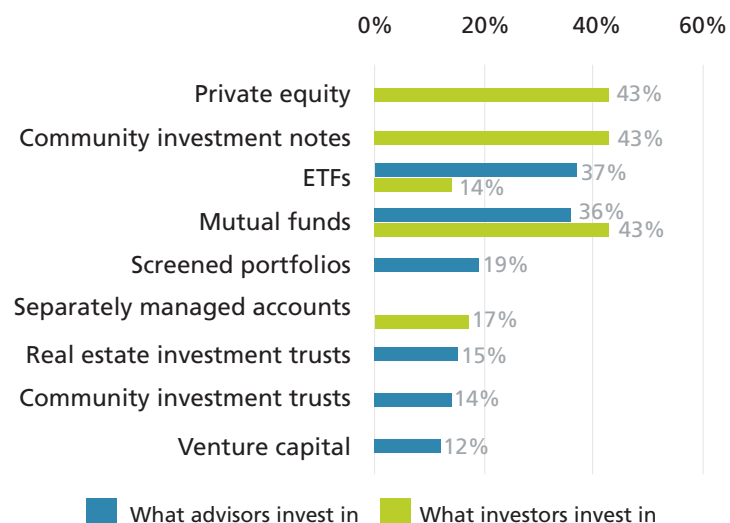
Source: Faith-based investing: The conversation clients seek, the value advisors can add, Praxis Investment Management, April 2025.

Invest myself or through advisor (% Yes)



Source: Faith-based investing: The conversation clients seek, the value advisors can add, Praxis Investment Management, April 2025.

Left to their own devices, investors invest in different assets than advisors would



Source: Faith-based investing: The conversation clients seek, the value advisors can add, Praxis Investment Management, April 2025.

The reluctance of advisors to engage is noteworthy because most of those surveyed consider themselves to be religious or spiritual, with 17% personally investing in faith-based funds.

Across distribution channels, RIAs are more likely to be aware of and use faith-based investments. Advisors who are involved with faith investing personally are more likely to discuss with their clients.

II. BARRIERS AND BIASES

The findings make clear that advisors approach the faith-based space with a caution driven by the desire to do what's in the best interests of their clients. They are reluctant to engage clients on a topic about which they fear they cannot produce good results.

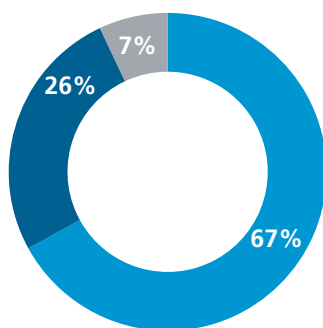
Advisor/investor negative perceptions of faith-based investing align, although advisors are more negative across the board.

I have a question on my intake questionnaire that usually kicks things off. I ask if investors have any religious, political, or philosophical frameworks they'd like me to know about that shape how they think about ethics in investing. Religious investors will typically cite that as extremely high motivation, and the conversation takes shape from there.

– RIA, 5 to 10 years of experience

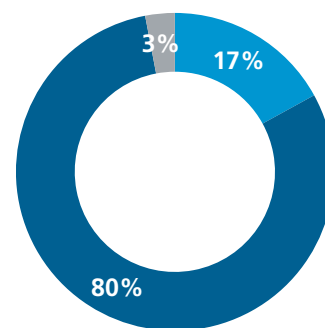
Advisors' faith-based practices

67% of advisors consider themselves to be a religious or spiritual person



■ Yes ■ No ■ Prefer not to say

17% of advisors personally invest in faith-based funds



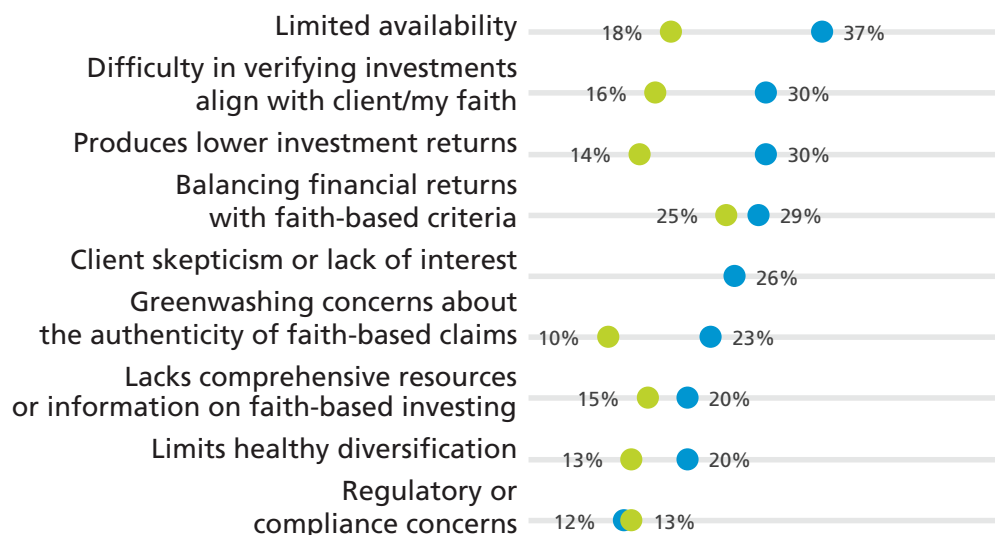
■ Yes ■ No ■ Prefer not to say

Source: Faith-based investing: The conversation clients seek, the value advisors can add, Praxis Investment Management, April 2025.

Advisors are more negative than investors

Negative perceptions of faith-based investing (% Yes)

● Advisor ● Investor

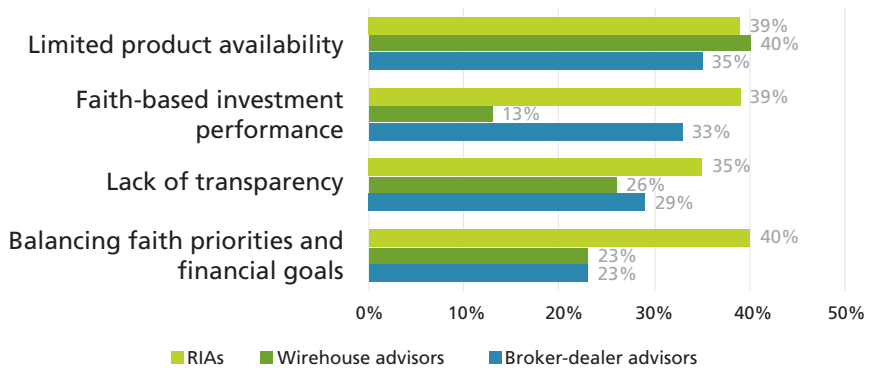


Source: Faith-based investing: The conversation clients seek, the value advisors can add, Praxis Investment Management, April 2025.

The most concerning issues for advisors are:

- **Limited product availability.** Advisors' concerns about the availability of faith-based investing options range from product wrapper, market access, and what's made available to them on their firms' platforms.
- **Competitive performance.** The assumption that faith-based investments deliver less competitive returns is widespread. Advisors are concerned that screening processes can add to fund expenses and that screened portfolios may exclude companies capable of delivering strong returns. However, presented with evidence to the contrary, almost half of survey respondents would be more likely to include faith-based funds in portfolios.
- **Transparency of holdings.** Thirty percent of advisors say it's difficult to verify that assets held by faith-based investments align with the client's faith.
- **Balancing faith priorities and financial goals.** The goal of financial planning is to create a strategy that helps individuals achieve their financial goals. Twenty-nine percent of advisors say adding faith-based options can make the process more complex.

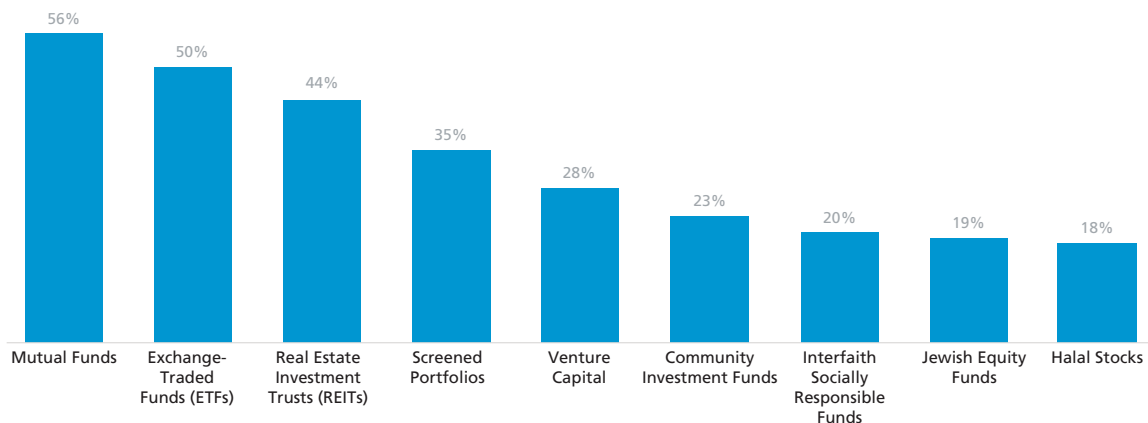
Advisors' top concerns by distribution channel



Among faith-based investment strategies, advisors are most familiar with faith-based mutual funds and exchange-traded funds (ETFs).

Source: Faith-based investing: The conversation clients seek, the value advisors can add, Praxis Investment Management, April 2025.

Advisors' familiarity with faith-based vehicles



Source: Faith-based investing: The conversation clients seek, the value advisors can add, Praxis Investment Management, April 2025.

A follow-up question focused on what was known about ETFs in particular, revealing that the majority of advisors believe the worst – that faith-based ETFs would deliver poorer performance than traditional ETFs and be more expensive. “Don’t know enough” ranked second in answer to both questions.

These objections vary across distribution channel. Almost one-third (28%) of advisors say they would like more faith-based ETFs to choose from. The category trailed their interest in more alternative ETFs (desired by 53%), fixed income (41%), commodities and real estate (35%) and matched interest in more equity ETFs (also 28%).

To what extent do advisors’ concerns about the availability of faith-based ETFs relate to their familiarity with issuers? The research revealed that only two out of 10 advisors said their preferred asset manager offered faith-based ETFs. If their preferred firm started offering them, 36% say they’d increase their portfolio allocation.

III. SHARED EXPECTATIONS OF FAITH-BASED INVESTING IN THE FUTURE

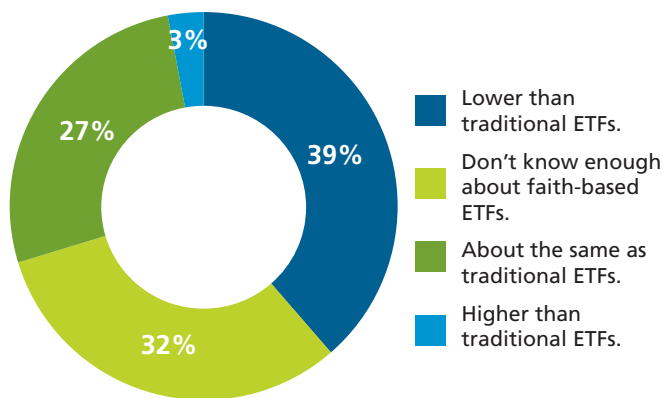
Notwithstanding the barriers, advisors acknowledge the significant benefits of faith-based investing for their clients, for their practices and for society as a whole.

Clients feel a greater sense of purpose and satisfaction when investment portfolios reflect their faith, advisors say. Also, talking about religious and spiritual values helps advisors build stronger connections with their clients, creating a deeper understanding between them. These benefits were consistent across distribution channels.

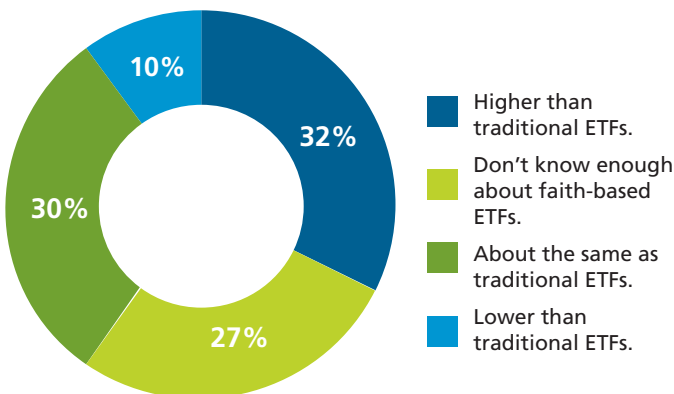
By aligning financial choices with personal or communal beliefs, investors can feel a sense of purpose and contribute to causes that resonate with their values.

– INVESTOR

Advisors’ perception of performance

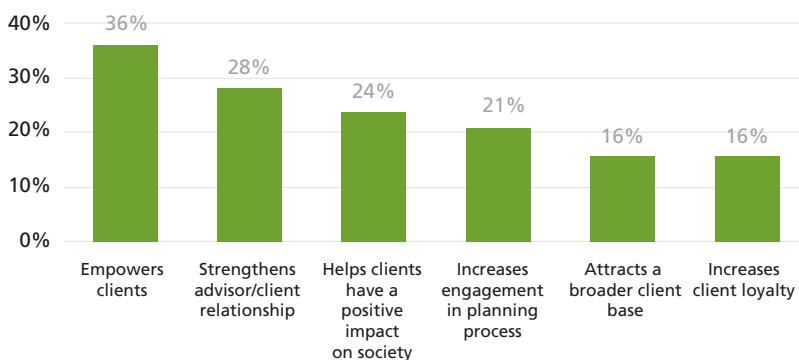


Advisors’ perception of expense



Source: Faith-based investing: The conversation clients seek, the value advisors can add, Praxis Investment Management, April 2025.

The benefits of faith-based investing per advisors



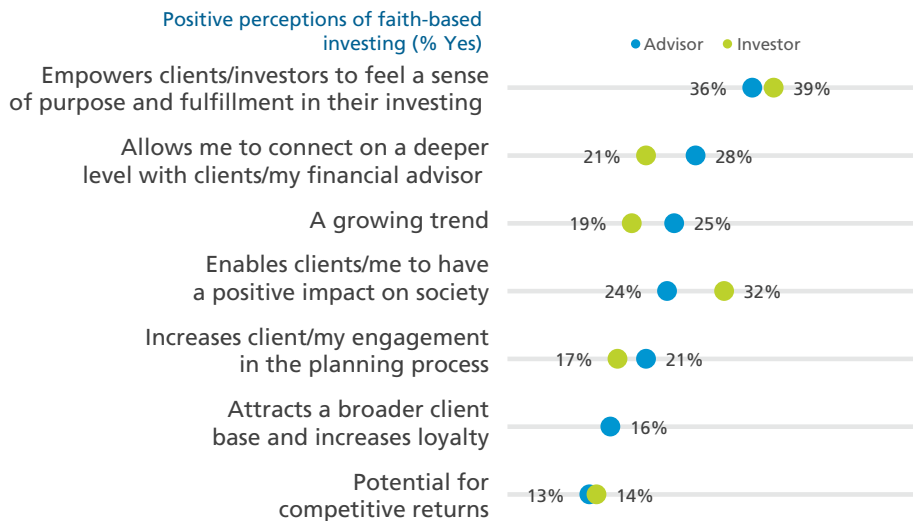
Source: Faith-based investing: The conversation clients seek, the value advisors can add, Praxis Investment Management, April 2025.

In fact, on some dimensions advisors are more positive than investors themselves are.

What's the outlook for faith-based investing? Broader usage, advisors and investors agree, will depend upon investments' ability to match returns available from "traditional" investments. That's the top change both need to see. Last among the changes needed for investors is a recommendation from an advisor. This is a finding consistent with what has been learned elsewhere about the marginalized role advisors have thus far played in faith-based investing.

These changes would help deliver on the expectations of the most optimistic advisors, and to overcome the skepticism of others.

Advisors are more positive than investors

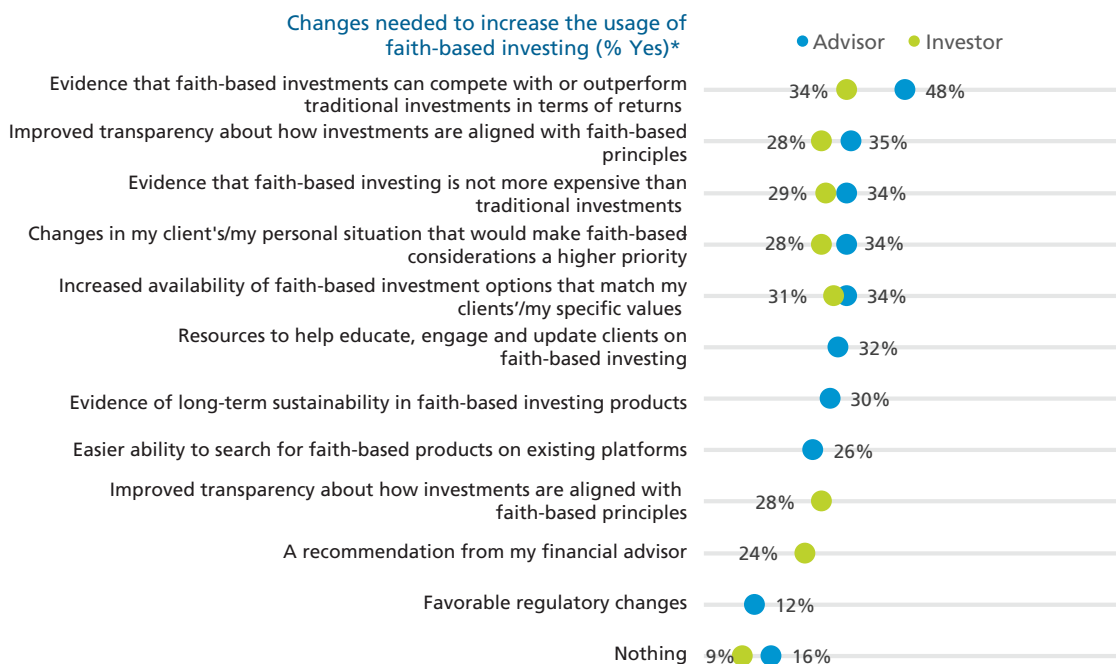


Source: Faith-based investing: The conversation clients seek, the value advisors can add, Praxis Investment Management, April 2025.

With the way the world is going more people will want to make a statement about their faith and this is one way to do it.

– ADVISOR

Advisors and investors agree, faith-based investments need to match traditional returns to increase usage



*Only asked to investors whose investing decisions are impacted by faith but not currently investing in faith-based products.

Source: Faith-based investing: The conversation clients seek, the value advisors can add, Praxis Investment Management, April 2025.

In summary

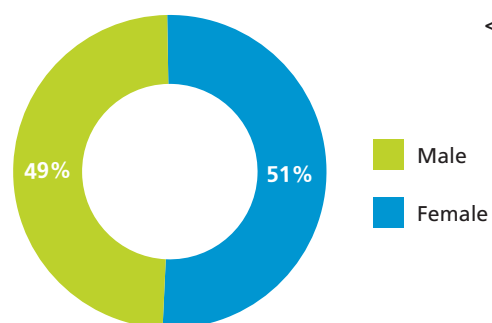
These research findings suggest an untapped opportunity for advisors motivated to enhance the value they provide to clients. Proactively asking about a client's faith and values has the potential to introduce a topic that many investors are not familiar with. Clients for whom faith is at their core may want to express that with their portfolio. Others may not. And certainly there will be others who won't welcome the question – but likely will understand why it's being asked.

To date, advisors have underestimated the depth of client interest in faith-based investing and, likely because they have, may also have a limited understanding of the solutions that now exist. The broader availability of lower cost, fully transparent ETFs has the potential to give advisors the confidence they need to initiate the conversations clients seek and add value that ultimately accrues to investment portfolios and client/advisor relationships as well.

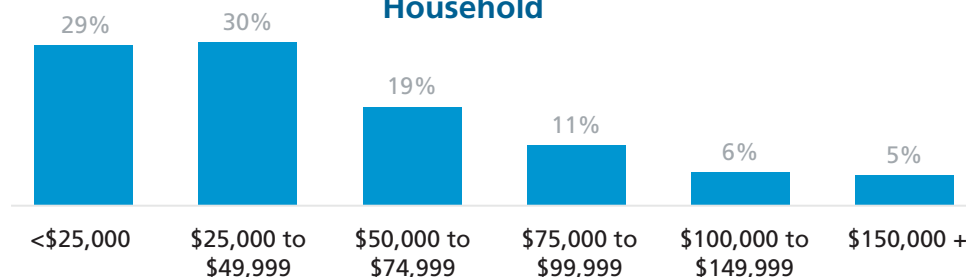
SURVEY DEMOGRAPHICS

Investor demographics

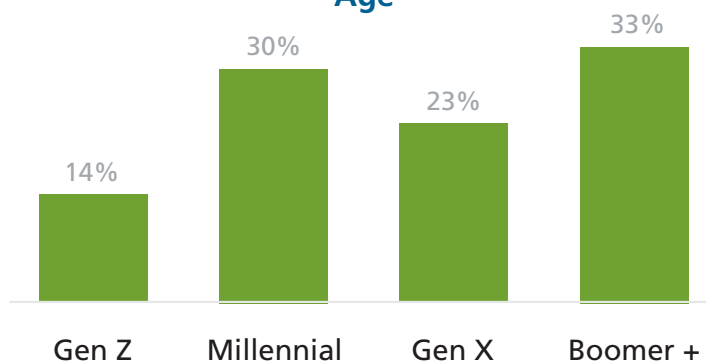
Gender



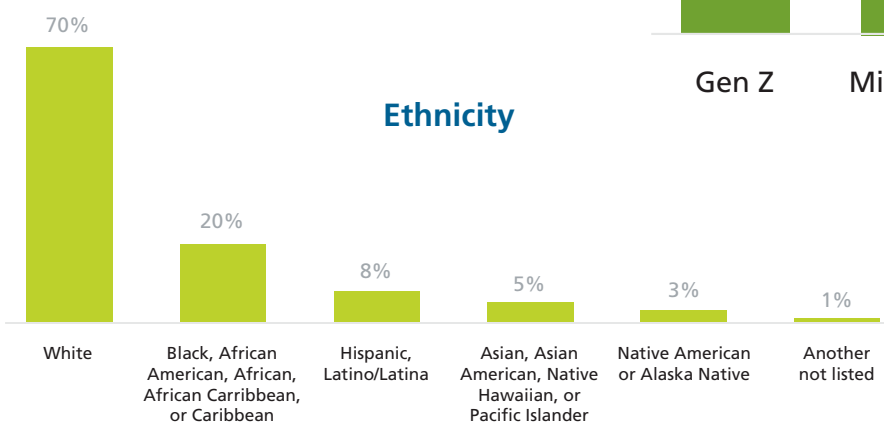
Household



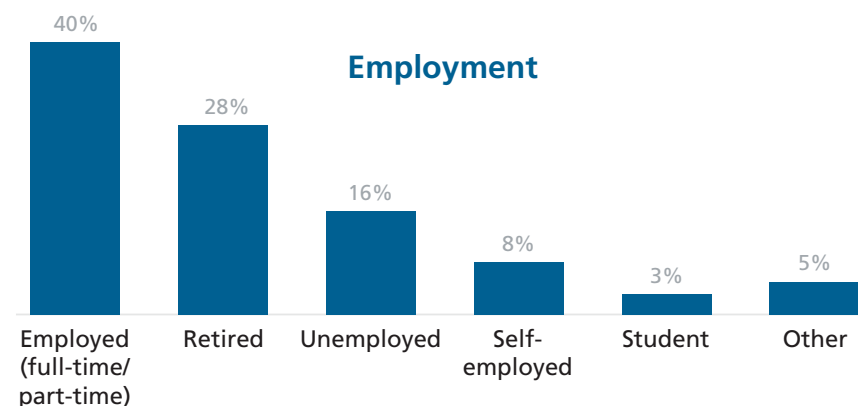
Age



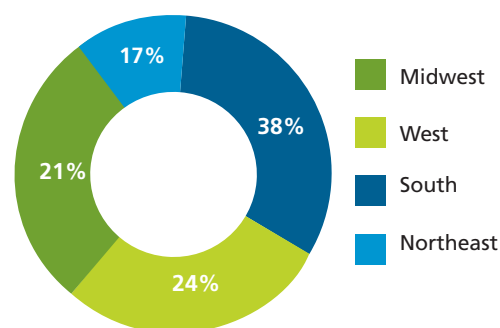
Ethnicity



Employment

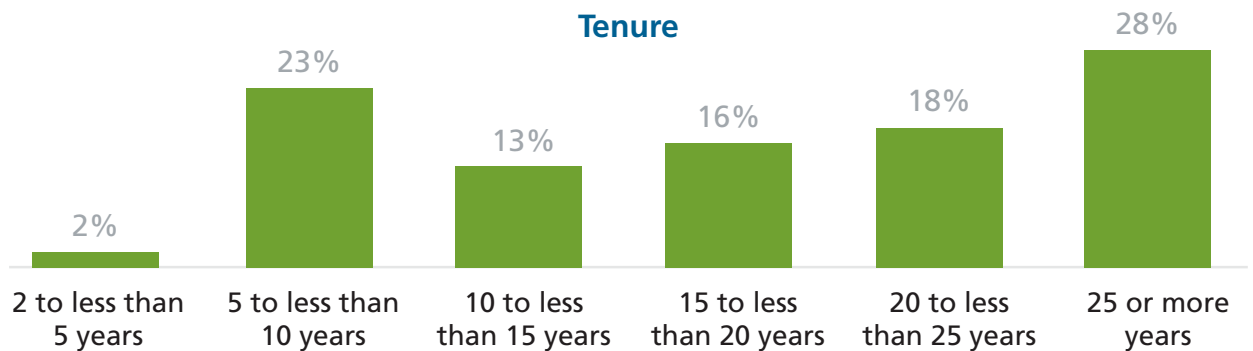


Region

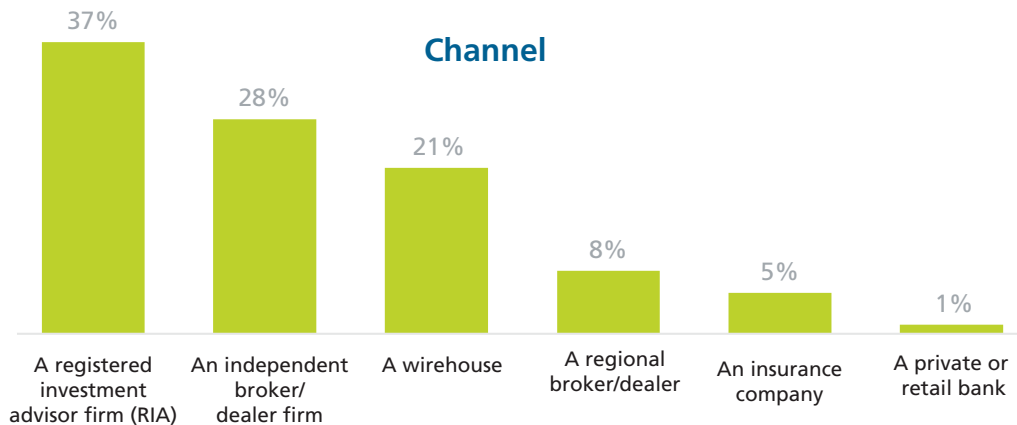


Advisor firm demographics

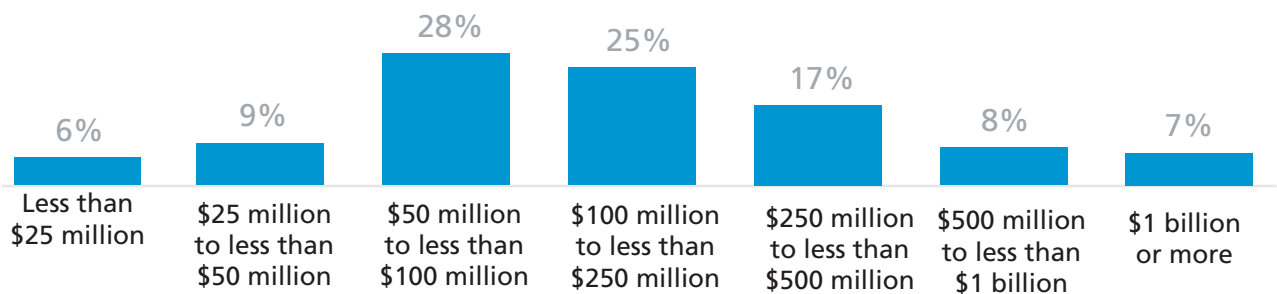
Tenure



Channel



Personal/AUM



METHODOLOGY

Bellomy Market Research administered the online advisor survey from September 30 to October 21, 2024, including 403 advisors: 148 registered investment advisors, 144 broker-dealer advisors, 86 wirehouse advisors, and 25 banking/insurance industry advisors. Advisors were sourced from both Bellomy's Financial Advisor Community and Discovery Database.

The online investor survey was administered from October 15 through October 28, 2024, including 1,001 investors with quotas to control for age, region, and gender. Investors were sourced from Bellomy's sample partners.

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Since 1994, Praxis has offered investment products designed to meet practical needs for everyday investors seeking to steward their assets consistent with their desire to promote positive social and environmental impacts. Praxis brings a faith-based approach to ETFs, mutual funds, multi-fund portfolio solutions and money market accounts. Based in Goshen, Indiana, Praxis is a company of Everence Financial. Learn more at praxisinvests.com.

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