

# 10 Reasons Why a Values Aligned Direct Indexing Solution Can Help You Grow Your Practice.

Direct indexing has been a tool for high-net-worth investors for decades, but advancements in technology like fractional shares have transitioned it into a widely accessible and indispensable strategy.

By allowing clients to own the individual stocks that make up an index rather than a pooled investment like a mutual fund or ETF, direct indexing offers unparalleled flexibility and customization. Advisors can help investors align their portfolios with their personal values—avoiding stocks that don't resonate with their beliefs—while retaining the diversification benefits of traditional funds.

The appeal of direct indexing lies in its ability to deliver value-driven investments and optimize tax outcomes. From tax-loss harvesting to managing capital gains, the tax efficiencies alone make this approach compelling. For clients seeking customization, direct indexing enables tailored portfolios that address specific values, goals, and preferences, creating a unique investment experience specific to them.

Today, direct indexing is on a steep growth trajectory. In 2024, [roughly 21% of financial advisors](#) utilize direct indexing, and nearly half plan to adopt it in the next five years. But the question looms, how can this be used as a tool to grow your practice and connect with clients?

First Affirmative Financial Network (FAFN) in collaboration with YourStake has developed the [Values-Aligned Direct Index Solution \(VADIS\)](#). Using sophisticated optimization techniques with YourStake's dynamic technology, we can replicate an index, or model with a subset of securities – and incorporate client-specific impact preferences and tax considerations.

## 10 Reasons Why Direct Indexing Can Help You Grow Your Practice

- 1. Tax Management Experience:** We can implement strategies that can help minimize tax liabilities. Clients can capitalize on tax loss harvesting opportunities and defer capital gains.
- 2. Flexibility:** When it comes to the individual stocks you own, flexibility is essential for investors who want to build a diversified portfolio tailored to their needs and goals, while responding to market changes and lessening risk.
- 3. Industry expertise:** We have over 30 years of experience in helping investors who seek to integrate their personal values and/or environmental, social, and governance factors into their portfolios. Our collaboration partner, **YourStake's** co-founders have been recognized as industry leaders and the firm recently won the [2024 Thinkadvisor Luminaries awards for AI innovation and client engagement](#).
- 4. Transaction Management:** Our advisor and client services team are here to provide end-to-end support for you and your clients. They are here to help manage new and existing accounts, cashiering, performance reporting, salesforce administration, tax considerations, and compliance.
- 5. Account Minimums:** Our Values-Aligned Direct Index Solution (VADIS) clients can start investing with as little as \$25,000, fees at 36 BPS.
- 6. Research and investment methodology:** Our investment strategy incorporates an analysis of sustainability and governance factors into the creation of the portfolio. Portfolio formation incorporates the objectivity of quantitative analysis and the insights of fundamental research.
- 7. Customization options:** YourStake's advanced technology and client onboarding tools make VADIS stand out. We have three ways to implement VADIS: Persona Portfolios, Applying firm values, and Bespoke customization that leverage 150+ metrics across 5 key issue areas.
- 8. Cost structure:** Management fees of 0.36% are very competitive with other platforms offering direct indexing services.
- 9. Industry recognition and collaboration:** VADIS was built in partnership with YourStake and gained a top ranking in Advisor Satisfaction with a 9.33 in the new Portfolio Design Solutions category in the T3/Inside Information Survey.
- 10. Active Proxy Voting, Advocacy, and Impact:** Our work does not stop after we invest in your client's goals. We give your values a voice, vote your shares and advocate for Values-Aligned Impact.

## Legacy of Impact

Since 1988, First Affirmative Financial Network has been assisting financial advisors and their clients in developing investment solutions that align with both financial objectives and impact goals. With more than 35 years of experience in Values-Aligned Investing, we are here to help you expand your business and provide a wider range of portfolio solutions that cater to your client's investment values.

The expansion of direct indexing has been impressive, with assets in direct indexing strategies rising from \$100 billion in 2015 to \$462 billion in 2021. This growth is anticipated to persist, with some analysts projecting assets expected to reach \$1,470 billion by 2027. This surge is fueled by a growing investor demand for personalization, tax efficiency, and values-based investing.

<https://www.yourstake.org/esguniversity/direct-indexing-how-advisors-can-capitalize-on-the-growing-demand-personalized-investing>

In the past, Independent Advisors, mid-market, and retail investors were often excluded from Direct Indexing Solutions, which typically required a minimum investment of \$250K and featured only minimal values-based integrations, sometimes bordering on greenwashing. Today, however, we are excited to present a superior Values-Aligned Direct Indexing Solution that is accessible to all.

This solution offers truly transparent, customized values-driven investments, allowing for specific inclusion or exclusion of companies. It caters to a broader range of investors, from high-net-worth individuals and advisors to those just beginning their journey in impact investing. With over 150 metrics divided across five key issue areas and three implementation methods for VADIS, we simplify the process of investing according to your clients' values.

## Three Ways to Implement VADIS into Your Practice

<b>Persona Portfolios</b>	<b>Applying Firm Values</b>	<b>Bespoke Customization</b>
Offer tailored solutions for efficient implementation:	Align portfolios with your firm's ethos:	Create truly bespoke portfolios for discerning clients:
<ul style="list-style-type: none"><li>● 7 pre-built personas covering common value sets</li><li>● Ideal for clients new to values-based investing</li><li>● Rapid implementation without sacrificing personalization</li></ul>	<ul style="list-style-type: none"><li>● Reinforce your brand identity consistently</li><li>● Streamline implementation across your practice</li><li>● Ideal for firms with strong values proposition</li></ul>	<ul style="list-style-type: none"><li>● Leverage 150+ metrics across 5 key issue areas</li><li>● Perfect for high-net-worth or deeply engaged clients</li><li>● Accommodate specific security inclusions or exclusions</li></ul>

Learn more about the Values-Aligned Direct Index Solution and ways to work with us. <https://www.firstaffirmative.com/values-aligned-direct-index-solution/> and [Schedule a Demo](#) today.