

About the IFI Tool

Developed by the Rustandy Center for Social Sector Innovation at the University of Chicago Booth School of Business and the Social Finance Institute, this interactive model is designed to help philanthropic investors and others understand and explore how impact-first investments might affect their total impact and financial returns over time.

A team of professors, practitioners, designers, and developers partnered to develop the IFI Tool with the goal of illustrating the potential effects of impact-first investments on a portfolio of philanthropic assets. The team decided that an interactive, open-source, online tool would allow for an engaging and accessible style of personalized learning.

The purpose of the IFI Tool is to help users understand the potential impact and returns associated with allocating some of their portfolios to impact-first investing. It illustrates the compounding impact of impact-first investing—the power of recycling capital—as another option in one’s toolbelt, allowing them to make better-informed decisions about their philanthropic assets.

The IFI Tool is not designed to be a portfolio allocation tool that prescribes a specific asset allocation, but rather an illustrative model that guides users to see the financial and social impact implications of testing different assumptions about impact-first investment opportunities using their philanthropic assets. We believe that this will lead many to incorporate impact-first investing as part of their philanthropic strategy.

Ultimately, for many users, we think the model will demonstrate that even modest allocations to impact-first investing—with plausible assumptions about expected return and impact—can substantially increase the overall social impact of philanthropic assets over any time horizon. To some who are already in the space of impact-first investing, this might seem clear. But if this were generally considered true, every allocator of philanthropic capital—including those whose vehicles are structured to exist in perpetuity—would allocate significant funding towards impact-first investing, knowing they could more effectively advance their missions over any timeframe.

The team’s hope is that using the IFI Tool will lead allocators of philanthropic capital to be more open to investment opportunities that may sometimes sacrifice returns for impact, and to also be more open to program initiatives that provide the possibility of a financial return. Ideally, the IFI Tool will inspire allocators of philanthropic capital to do the hard organizational work of coordinating investments and offering strategies to identify, evaluate, and partake in impact-first investing opportunities that enhance delivery on their mission.

Given the simple structure of the model, the streamlined user experience, and the supplemental material, we also think the IFI Tool can play a valuable pedagogical role with educators, their students, policymakers, and journalists who wish to further explore the potential impact opportunity of considering a third bucket of capital in philanthropic portfolios.