

## Session 9

# **Investing God's Way**



**OBJECTIVE OF THIS SESSION**

To learn to invest money God's way—according to God's principles and God's will.

**KEY BIBLICAL PRINCIPLE**

God provides incredible wisdom in his Word, the Bible, with respect to investing. Therefore, every Christian needs to learn and apply God's investment principles.

**OVERVIEW ON INVESTING**

The following 12 principles will help you to learn and implement God's investment principles as set out in scripture.

**1. Pray and depend on God for his wisdom and direction**

Prayer and dependence upon God are required to develop a personalized and biblically based investment strategy. It is well known that the past performance of an investment provides no guarantee for its future performance. The best investment today depends on future events, and because no one can consistently predict the direction of any market, it is critical to acknowledge our dependence upon God with regard to investing.

Now listen, you who say, "Today or tomorrow we will go to this or that city, spend a year there, carry on business and make money." Why, you do not even know what will happen tomorrow. What is your life? You are a mist that appears for a little while and then vanishes. Instead, you ought to say, "If it is the Lord's will, we will live and do this or that." (James 4:13–15)

Notwithstanding all the information available today, on average only about 15 percent of all professional money managers beat the relevant index (e.g., TSX 60 or S&P 500), and no human can consistently predict the future value of these indices. The same principle applies to real estate. For example, from 1985 until 1989, the value of Toronto real estate increased significantly. Many believed that it would never go down. However, from 1990 until 1995, the values dropped drastically, anywhere from 25 percent to 70 percent. From a human perspective, this does not make sense, but God is not surprised. Proverbs 27:1 states, "Do not boast about tomorrow, for you do not know what a day may bring forth."

The good news is that our all-knowing God does know the future (Isaiah 46:9, 10; John 16:13), and he is willing to provide us with the wisdom that we need in investing if we ask in faith. James 1:5 states, "If any of you lacks wisdom, he should ask God, who gives generously to all without finding fault, and it will be given to him."

In summary, it is critical to pray and depend on God for his wisdom and his direction in investing the money that God has entrusted to you.

## 2. Develop and implement a biblically based investment strategy

A biblically based investment strategy should meet the following two criteria:

- be consistent with God's investment principles
- reflect God's specific will for your life

To develop and implement an investment plan that is consistent with God's principles, it is essential to understand God's investment principles. The Bible provides us with a wealth of knowledge on investing.

The majority of bad investments can be avoided if one understands and applies God's investment principles. Here are some actions the Bible warns against:

- investing in something that you do not understand (Proverbs 19:2)
- using a lot of debt (Proverbs 22:7)
- making hasty decisions (Proverbs 21:5)
- having a lack of biblical diversification (Ecclesiastes 11:1, 2)

With regard to the second criterion (an investment plan that reflects God's specific will for your life), there is no substitute for spending quality time in prayer with God at least three or four times per year, *seeking the Lord's specific direction for your investments*. God has promised that he will direct us. Psalm 32:8 states, "I will instruct you and teach you in the way you should go; I will counsel you and watch over you."

Document what God has instructed you to do, and carefully follow up. Most people tend to be "responders"; that is, they respond to sales calls, hot tips, good ideas, etc. and make decisions on a case-by-case basis rather than by developing and implementing a biblically based investment strategy that God has personally revealed to them.

In summary, it is critical to develop and implement a biblically based investment strategy that reflects God's specific will for your life.

## 3. Diversify

Over the years, I have seen too many cases in which an individual has invested the majority of retirement funds in one company or in one sector. For "a season" these investments may do well, but inevitably every company and sector falls on bad times. This results in significant losses because the portfolio was not biblically diversified.

Because no human can consistently predict the direction of any market (James 4:13–15), it is important to diversify your assets into different categories of investments.

Cast your bread upon the waters, for after many days you will find it again. Give portions to seven, yes to eight, for you do not know what disaster may come upon the land. (Ecclesiastes 11:1, 2)

The *Ryrie Study Bible* explains that at the time this was written, "Cast your bread upon the waters" was a metaphorical expression used in the grain trade that illustrated the potential

successful prospects of a business investment. In short, it is biblical to take some risk within one's investment portfolio. However, verse 2 recommends diversifying your investments into several (e.g., seven or eight) categories, because you do not know what disaster may come upon any particular company or sector.

Biblical diversification is obtained by allocating one's assets into various categories of investments that will probably react differently to any particular market condition. Here are some examples:

- During inflationary times (e.g., the 1970s), natural resource equities, commodities, and real-return bonds increase in value, while medium- and long-term bonds do very poorly.
- In a period of deflation (e.g., 1991–1995), medium- and long-term bonds generally increase in value, while natural resource equities, commodities, and real-return bonds usually do poorly.

Further, diversify your assets among several sectors of the economy and among appropriate countries as generally this will reduce the risk and volatility of your total portfolio.

Many investors try to “time the market.” That is, they buy when they believe the market is headed higher, and then sell when they believe the market is going lower. God's Word says (and history shows) that no human can consistently predict the future value of any market or stock (Proverbs 27:1).

Therefore, *unless God specifically directs you otherwise* (John 10:3, 4, 27), there is a need for biblical diversification in one's portfolio because, under normal market conditions, if one category of investment decreases in value, generally another category will be increasing, thus reducing the volatility of your total portfolio. Over the long run, a well-thought-out, biblically based portfolio should provide reasonable returns.

There is no “perfect portfolio allocation” for all Christians. God's Word provides general principles, not specific details. That's why there is absolutely no substitute for spending quality time with the Lord in prayer, asking God for his wisdom (James 1:5) and his specific direction with respect to investing the money that God has entrusted to you. God has promised to direct us (Psalm 32:8, John 10:3, 4, 27).

Subject to God's specific direction, and under normal market and economic conditions, I would personally feel comfortable with the following asset allocation.

Cash, T-bills, MMFs,	10%
GICs, bonds—short, medium, long—including some real-return bonds	40%
Canadian equities (several sectors including Canadian banks and resource stocks)	20%
U.S. equities (several sectors)	10%
Real estate, REITs, and related equities	5%
Emerging markets (including Far East)	5%

European equities (several sectors)	5%
International equities not included above	5%
<b>Total</b>	<b>100%</b>

In summary, God's Word recommends diversification of one's portfolio in a manner that is consistent with biblical principles. Because no human knows the future (James 4:13–15), it is necessary to be connected to and dependent upon God (John 15:5) for his specific direction (Psalm 32:8) for investments that the Lord has entrusted to you.

#### 4. Use minimal debt—or better, no debt

The deception from the world is that “Smart people use other people's money.” This is contrary to God's Word. Every reference in scripture to borrowing is negative, and nowhere in the Bible does God ever direct anyone to borrow money in order for God to bless. Our all-powerful God is able to meet every need without the assistance of a lender. Philippians 4:19 states, “And my God will meet all your needs according to his glorious riches in Christ Jesus.”

Experience has shown that people who use a lot of debt when investing will generally encounter one of the following problems:

- a. When the markets are down, borrowers are forced by the lender to sell at the wrong time. In Proverbs 22:7b, God warns, “The borrower is servant to the lender.”
- b. Psychologically, it is more difficult to survive a “bear market,” because debt increases the volatility of your portfolio. For example, if you borrow 50 percent of what you invest, and if the market decreases by 20 percent, then the loss on your personal capital is 40 percent.
- c. If the investment decreases significantly in value, you can lose more than your original capital and end up with a deficit that may take years to repay.



In Deuteronomy 28, God promised the people of Israel that, if they fully obeyed him, he would bless them so much that they would be lenders and not borrowers. In other words, God can bless your investments without the use of debt. I have seen more than 100 individual cases in which God has done this.

Before you borrow to invest, be sure to ask God to reveal your motives. Frequently, people use debt in order to get rich quick because of covetousness or greed—both of which are ungodly motives. On the other hand, saving and investing carefully over a long period of time, with the objective of meeting future needs, is a very biblical attitude. Proverbs 13:11 states, “Dishonest money dwindles away, but he who gathers money little by little makes it grow.”

Saving and investing to provide for future needs is biblical. However, God strongly discourages the use of debt. I recommend that you save and invest whatever funds God has provided, and trust God to meet your needs (Matthew 6:31–33).

### **5. Ensure that you understand the investment**

Over the past 30 years, I have had the privilege of working with 300 to 400 business people. In my experience, generally, when they invest in something that they understand, and that is within biblical principles, they earn a profit. However, when they invest in something that they don't understand, frequently they lose money.

Proverbs 19:2 says, “It is not good to have zeal without knowledge, nor to be hasty and miss the way.” In short, do not invest in something that you do not understand, and do not make hasty decisions. Hasty decisions are usually bad decisions.

Whether you plan to build a house, an investment portfolio, or a retirement fund, God's Word emphasizes the importance of understanding, wisdom, and knowledge: “By wisdom a house is built, and through understanding it is established; through knowledge its rooms are filled with rare and beautiful treasures” (Proverbs 24:3, 4).

Before acquiring a particular investment, you need to obtain enough knowledge to understand the nature of the investment, what has to occur for the investment to be profitable, and what could occur that would make the investment a loser. Historical returns and historical volatility are helpful. However, they provide no guarantee of future returns.

For example, in regard to a mutual fund, you need to understand the objective of the fund, the track record of the fund manager, and have knowledge and understanding of the 10 largest holdings within that fund. In addition, knowledge and understanding of the markets in general as well as the economy, on a macro basis, are important.

In summary, before you commit to investing in anything, ensure that you understand the investment and that it fits in with your portfolio allocation.

### **6. Assess your tolerance for risk, and invest accordingly**

In Ecclesiastes 11:1–6, God recommends the assumption of a reasonable amount of risk within your investment portfolio: “Cast your bread upon the waters, for after many days you will find it again.” was a metaphorical expression used in the grain trade that illustrated the potential successful prospects of a business investment. God instructs the farmer, who is also an investor, to “sow your seed in the morning, and at evening let not your hands be idle, for you do not know which will succeed, whether this or that, or whether both will do equally well.” In addition, over-cautiousness is discouraged: “Whoever watches the wind will not plant; whoever looks at the clouds will not reap.”

In short, it is biblical to assume some investment risk. However, God demonstrates how

to minimize your risk by diversifying your investments into seven or eight categories (Ecclesiastes 11:2).

Generally the risk of any portfolio is reflected by its allocation between equities and safer investments such as bonds/GICs, etc. The level of investment risk that you should assume will depend upon numerous factors, such as your age, when you will need the money, and your personal tolerance for risk. As a rule, it is necessary to experience some good and bad markets before you can really understand your own risk tolerance.

I believe that a Christian should not be overly cautious (which may reflect a mindset of fear); nor is it appropriate to be too aggressive (which frequently reflects an attitude of greed). Both extremes are outside of God's will.

It is my opinion that under normal market and economic conditions, a conservative investor should have at least 20 percent in equities, while an investor with a higher tolerance for risk, should not go beyond 80 percent. The average person may feel comfortable with an allocation of approximately 50 percent in equities, again under normal market conditions. The types of equity investments within your portfolio (i.e., "blue chip stocks" as opposed to "speculative stocks") will also affect the level of risk you are assuming.

In summary, in dependence upon God's wisdom (James 1:5), assess your tolerance for risk, diversify your investments, and ask God to personally direct you (Psalm 32:8, John 10:3, 4, 27).

## **7. Avoid get-rich-quick investments and hasty decisions**

The following are the common elements of a get-rich-quick investment.

- There is a promise of an abnormally high rate of return, which means that the risk associated with that investment is also unusually high. Hence there is a risk of very significant losses. If it sounds too good to be true, then it probably is.
- Generally, the investor has limited understanding of the investment. It is easier for a salesperson to sell you a high-risk investment when it is outside of your expertise.
- It usually requires a quick decision that will prevent you from obtaining independent counsel from someone who has a thorough understanding of the investment.
- Frequently, debt is used because debt increases the returns if the investment is successful; but debt also increases the losses if the investment goes sour.
- Generally, a get-rich-quick investment is not biblically diversified (Ecclesiastes 11:1, 2) but is focused on one investment or one sector, which increases the return if the promoters are right, but it also increases the losses if they are wrong.

God clearly warns of the dangers of trying to get rich quick: "Do not wear yourself out to get rich; have the wisdom to show restraint. Cast but a glance at riches, and they are gone, for they will surely sprout wings and fly off to the sky like an eagle" (Proverbs 23:4, 5).

Therefore, if someone recommends an investment that promises an abnormally high rate of return, then I recommend the following:

- Pray and ask God to direct you through his Holy Spirit. A lack of peace can be God's way of communicating to you or your spouse that it is not God's will for you to invest.
- Ask God to reveal your motives. Motives are important to God (Proverbs 16:2). Ungodly motives include greed, covetousness, impatience, and pride; the corresponding godly motives would be generosity, contentment, patience, and humility.
- Take the time that is required to obtain sufficient knowledge and understanding of the investment before you invest (Proverbs 28:19, 20).
- Use godly counsellors who have the necessary experience and knowledge and will not personally profit if you decide to invest (Psalm 1:1–3).

In summary, if you do not have sufficient time to complete the four recommendations above, then do not invest. Some of the best investment decisions ever made are the decisions not to invest. Hasty decisions are usually bad decisions (Proverbs 21:5). And remember, the emphasis in God's Word is to save and accumulate assets for future needs over a long period of time (Proverbs 13:11)—not to get rich quickly.

## 8. Obtain Biblical Counsel

God admonishes us to obtain counsel. God recommends that we obtain counsel from a godly investment adviser and God's Word.

The way of a fool is right in his own eyes, But a wise man is he who listens to counsel. (Proverbs 12:15 NASB)

Blessed is the man who does not walk in the counsel of the wicked or stand in the way of sinners or sit in the seat of mockers. But his delight is in the law of the LORD, and on his law he meditates day and night.” (Psalm 1:1, 2)

I believe that the following are excellent sources of godly and biblical counsel.

a. First, and foremost, spend quality time with the Lord in prayer and ask God to reveal his counsel to you through the Holy Spirit. “But Jehoshaphat also said to the king of Israel, ‘First seek the counsel of the LORD’” (1 Kings 22:5). God has promised that he will provide his counsel and direction in all matters, including investing (Psalm 32:8, John 10:3, 4, 27).

b. Meditate on God's Word to ensure that any proposed investment is within biblical guidelines. “Your statutes are my delight; they are my counselors” (Psalm 119:24).

c. Before making any major decision, seek the advice of two godly investment advisers. An appropriate definition of a godly investment adviser would be a spiritually mature Christian who understands and applies God's investment principles (Psalm 111:10), has a close personal relationship with God (John 10:3, 4, 27; 15:5), has the necessary practical investment knowledge (Proverbs 24:3, 4), and habitually puts the interests of clients first (Philippians 2:3, 4).

d. I believe that one of your investment counsellors should be your spouse (Genesis 2:24), even if he or she has limited investment knowledge. God, through his Holy Spirit, can give



his peace or lack of peace (John 14:27) to an objective spouse who is not emotionally excited about a particular investment.

In summary, before making any major investment decision, I recommend that you seek counsel, from God and his Word, two godly investment advisers, including your spouse. Proceed only after considerable prayer and when God has given you his peace and his wisdom with respect to that particular investment decision.

## 9. Ensure that your motives are godly and not worldly

It is possible for a Christian to be involved in investing with godly motives or worldly motives. Your motives for investing are important to God: “All a man’s ways seem innocent to him, but motives are weighed by the LORD” (Proverbs 16:2).

Godly motives for investing include the following:

a. *Investing in order to meet future needs* (1 Timothy 5:8)—Examples of needs that usually require saving and investing include children’s education, retirement, automobile replacement, and purchase of a home.

b. *Giving to God’s work*—If you have currently given to God’s work everything that the Lord has laid upon your heart (2 Corinthians 9:6, 7), then God may direct you to invest the surplus with the long-term objective of giving even more.

c. *Practising good stewardship*—If you have currently given everything to God’s work as God directed, then as a good steward, you should invest your surplus like the servants in the parable of the talents (Mathew 25:14–30).

d. *Following God’s specific will for your life*—God’s specific will for some Christians is to own and operate a private business. Understanding that God discourages debt (Proverbs 22:7), it may be necessary for this believer to accumulate significant retained earnings in the company in order to provide the necessary working capital.

Worldly or ungodly motives for investing would include the following:

a. *Pride*—Some people invest with the objective of accumulating wealth because it makes them feel more important than others. This attitude is clearly contrary to God’s Word. 1 Peter 5:5 states, “God opposes the proud, but gives grace to the humble.”

b. *Selfishness*—Philippians 2:3, 4 says, “Do nothing out of selfish ambition or vain conceit, but in humility consider others better than yourselves. Each of you should look not only to your own interests, but also to the interests of others.” Investing with selfish motives is not God’s will.

c. *Greed*—Jesus said, “Watch out! Be on your guard against all kinds of greed; a man’s life does not consist in the abundance of his possessions” (Luke 12:15).

d. *Trust in wealth rather than in God*—In the parable of the rich fool (Luke 12:16–21), this man’s problem was *not* that he had significant wealth but rather that he hoarded his wealth and he trusted in it rather than in God. God called him a fool.

Ask God to reveal your motives for investing; then take action to ensure that your motives are godly: “Search me, O God, and know my heart; test me and know my anxious thoughts. See if there is any offensive way in me, and lead me in the way everlasting” (Psalm 139:23, 24).

### 10. Follow God's directives, not human tendencies

Human tendency is to respond to what is happening in the financial markets or news from the media. Good news frequently provides confidence or triggers greed, which tempts us to buy; bad news makes us feel uncomfortable or fearful, which results in a desire to sell. Generally, good news causes the market to go up, and bad news causes the market to go down. Therefore, if you rely on your emotions in making investment decisions, you will buy high and sell low.

Our confidence should be solely in God.

Have no fear of sudden disaster or of the ruin that overtakes the wicked, for the LORD will be your confidence and will keep your foot from being snared. (Proverbs 3:25, 26)

In regard to greed, Jesus warns us, “Watch out! Be on your guard against all kinds of greed; a man's life does not consist in the abundance of his possessions” (Luke 12:15). If you struggle with greed, I recommend that you give generously to God's work, because giving generally helps a believer deal with greed.

In response to bad news, God's directive for the righteous man is this: “He will have no fear of bad news; his heart is steadfast, trusting in the LORD” (Psalm 112:7).

Therefore, when you hear bad news from the media, or if the markets have decreased significantly in value, *before* you make any investment decisions, I recommend that you spend quality time with the Lord in prayer, seeking his direction and his wisdom. Only God knows the future, and only God is in control (Isaiah 46:9–11; Psalm 103:19).

Another human tendency is to make investment decisions on impulse or in response to “hot tips” or “a once-in-a-lifetime opportunity.” The directive in scripture is toward planning, diligence, and patience. “The plans of the diligent lead to profit as surely as haste leads to poverty” (Proverbs 21:5). Hasty investment decisions usually lead to losses.

In general, twice a year, I spend several hours in prayer, seeking God's wisdom (James 1:5) and God's specific direction (Psalm 32:8) for the investments he has entrusted to me. I develop a biblically based investment strategy, including percentage asset allocations to each category. On a quarterly basis, I prayerfully review the portfolio, and as long as God gives me his peace, I will generally sell assets that have increased in value and purchase assets in categories that have decreased in value. This forces me to “sell high and buy low” and avoid responding to market conditions, hot tips, and media news. Between reviews, I ignore the media and the markets.

In summary, follow God's directives (prayer, planning, and patience), not human tendencies such as fear and greed. “Commit to the Lord whatever you do, and your plans will succeed” (Proverbs 16:3).

## 11. Give to God's work

Giving to God's work is an investment with eternal rewards. Jesus said, "For the Son of Man is going to come in his Father's glory with his angels, and then he will reward each person according to what he has done" (Matthew 16:27).

God wants us to save and invest in order to provide for future family needs (1 Timothy 5:8), but God warns against hoarding (Luke 12:15) and storing up treasures for yourself on earth (Matthew 6:19, 20).

Generally, at least two times per year, Christians should obtain an update of the fair market value of their investments and ensure that they are giving at least 10 percent of the increased value of those investments to God's work, in addition to any giving of their regular personal income. Remember, the tithe is the smallest percentage mentioned anywhere in scripture, and the emphasis in God's Word is to give generously (Luke 6:38). Remember, when Zacchaeus became a Christian, he gave 50 percent of his assets in demonstration of his love and thankfulness to God (Luke 19:8).

God instructs us to give him the firstfruits. Proverbs 3:9 states, "Honor the LORD with your wealth, with the firstfruits of all your crops; then your barns will be filled to overflowing, and your vats will brim over with new wine."

If you make giving to God's work a priority, God has promised that he will entrust you with more money (2 Corinthians 9:6). Why? So you can spend it on yourself or hoard it? No, God's purpose for entrusting you with more money is so that you can give even more to his work!

Now He who supplies seed to the sower and bread for food will also supply and increase your store of seed and will enlarge the harvest of your righteousness. You will be made rich in every way so that you can be generous on every occasion, and through us your generosity will result in thanksgiving to God. (2 Corinthians 9:10–11)

Jesus promised that if we sacrifice now, the return on our investment (as a result of giving to God's work) will be a hundredfold in eternity (Matthew 19:29). Remember, there is absolutely no earthly investment that provides a hundredfold return and is guaranteed by God!

## 12. Keep a balanced perspective

Every day we are bombarded with massive amounts of information on investments. Hence, it is easy to spend excessive amounts of time and energy on investing. This is not God's will: "Do not wear yourself out to get rich; have the wisdom to show restraint. Cast but a glance at riches, and they are gone, for they will surely sprout wings and fly off to the sky like an eagle" (Proverbs 23:4, 5).

It is appropriate to spend time learning and applying God's investment principles; however, once this has been accomplished, we should take a long-term perspective and trust God for the results. "Trust in the LORD with all your heart, and lean not on your own understanding; in all your ways acknowledge Him, and He shall direct your paths" (Proverbs 3:5, 6 NKJV).

As I mentioned, approximately every six months, I spend several hours in prayer with the Lord, seeking God's wisdom (James 1:5) and specific direction (Psalm 32:8) for the investments that he has entrusted to me. Since no individual can consistently predict the direction of the markets or any investment (James 4:13–15), I purposely listen for God's "gentle whisper" (1 Kings 19:12), because I realize that only God knows the future (2 Kings 7:1) and God is in control (1 Chronicles 29:11, 12).

During this time with the Lord, I review verses that deal with investment principles to ensure that I have developed a biblically based investment strategy and that I am thinking the way God thinks (1 Corinthians 2:16). As God specifically directs, I adjust the portfolio. Between these reviews, I generally ignore what is happening in the markets and the media, and I trust God for the results.

If you do something similar, then you will have fulfilled your stewardship responsibilities and you can leave the results (the return on your investments) to God. God has promised that he will meet your needs (Matthew 6:31–33). God instructs us not to worry (Luke 12:22–31) and not to be fearful (Isaiah 41:10), but rather trust him and be content with his provision (1 Timothy 6:6–8).

Also, be sure to give God the firstfruits (Proverbs 3:9, 10) of your profits, as this demonstrates your faith and commitment to him. God promises that he will bless the generous giver (Luke 6:38). Giving generously is a practical way to avoid hoarding and to deal with any potential greediness (Luke 12:15).

In summary, it is appropriate to spend a reasonable amount of time learning and implementing God's investment principles and seeking God's specific direction for the investments that he has entrusted to you. Once you have fulfilled your stewardship responsibilities, you should trust God for the results and not spend excessive time and energy on investing.

## MEMORY VERSES

*Steady plodding brings prosperity; hasty speculation brings poverty. (Proverbs 21:5 TLB)*

*Cast your bread upon the waters, for after many days you will find it again. Give portions to seven, yes to eight, for you do not know what disaster may come upon the land. (Ecclesiastes 11:1, 2)*

## CASE STUDIES, RELATED QUESTIONS, AND SUGGESTED SOLUTIONS

### Case Study #1

Steve couldn't wait to get home to tell his wife, Mary, about a great investment. Through a friend of a friend, Steve had been given the opportunity to purchase an interest in a joint-venture real estate development. The salesman explained that generally they sell only to friends and business associates of the president of the joint venture; however, they would make a special exception for Steve. However, Steve would need to commit to the purchase within three days.

The projections provided to Steve demonstrated he should be able to triple his investment within three years! Steve was really excited, because the profits from this investment would enable him and Mary to solve their financial problems by paying off their seven credit cards as well as their personal lines of credit. The interest charges and minimum loan payments had become a real burden, and Steve believed that this investment was the solution.

When Steve presented the investment to Mary, she did not feel comfortable with it. She admitted she did not understand it and commented that real estate development was outside of Steve's expertise as well. Further, in order to raise the necessary funds for the investment, it would be necessary for Steve and Mary to assume a second mortgage on their home, as they did not have any money. After praying about it for two days, Mary told Steve that she did not have peace about this investment. Steve discounted her input on the basis that she did not understand the investment and purchased it anyhow.

### **Questions**

1. Based on the information provided, do you think that Steve and Mary should purchase this investment? Why or why not? Where practical, please provide a reference to scripture.

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- ◆ No, because this investment has many of the characteristics of the typical get-rich-quick scheme as outlined below (Proverbs 23:4, 5).
  - There is a promise of an unusually high rate of return, which means that the risk associated with investment is also high, and hence there is also a risk of significant losses (Proverbs 14:15).
  - Steve and Mary do not understand the investment (Proverbs 19:2).
  - It requires a quick decision (Proverbs 21:5) so that they do not have enough time to obtain independent counsel (Proverbs 15:22).
  - They have no money and will have to borrow the entire amount to be invested (Proverb 22:7). If the investment goes sour they could easily end up with a second mortgage that may take them many years to pay off (Proverb 27:12).
  - Finally, this investment is focused on one sector (real estate development) and therefore is not biblically diversified (Ecclesiastes 11:1, 2).

2. For this kind of investment, what do you think are the probabilities that Steve and Mary will make a lot of money? Please explain your answer.

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- ◆ The probabilities of success on this investment are very low for these reasons:
  - Because it is a get-rich-quick scheme, it is likely that Steve’s motive is greed. God will not bless this ungodly motive (Luke 12:15).
  - Mary prayed for two days, and God did not give her peace about making this investment (John 14:27, Genesis 2:24).
  - God has promised to meet our needs without the necessity of assuming a lot of debt (Deuteronomy 28:1–12, Philippians 4:19).
  - As outlined in the answer to the previous question, this investment violates many biblical principles. Therefore, it is unlikely that God wants them to make this investment and thus, it is highly probable that it will do very poorly.

3. What steps do you think that Steve and Mary should have taken before acquiring the investment? There are several, and please provide references to scripture.

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- ◆ Pray and ask God to provide his wisdom (James 1:5) and his direction (Psalm 32:8). This applies to Steve.
- ◆ Ensure that they understand the investment (Proverbs 19:2, Proverbs 24:3, 4).
- ◆ Learn what God’s Word says on investing. The requirement for biblical diversification (Ecclesiastes 11:1, 2) and the warnings about debt (Proverbs 22:7) would have directed them not to invest.
- ◆ Obtain counsel from a godly investment adviser. See the definition in Session 7 and the notes at the beginning of this session (Proverbs 20:18).
- ◆ Steve should have prayed and asked God to reveal his motives (Psalm 139:23, 24).

4. Was it appropriate for Steve to discount his wife's counsel because she did not understand finance and to go ahead with the purchase? Please give a reference to scripture.

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- ◆ No, God created husband and wife to be “one flesh” (Genesis 2:24), and therefore, generally, they should agree on important financial decisions. Mary prayed and asked God for his direction (Psalm 32:8) with regard to the investment, and God gave her no peace (John 14:27), which was likely God's Holy Spirit telling her *not* to invest. Steve did not seek God's wisdom and direction, and Steve clearly had an inadequate understanding of God's investment principles, as outlined above.

5. Do you think that it is likely that these kinds of investments will solve Steve and Mary's financial problems? Why or why not?

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- ◆ No, Steve and Mary had borrowed excessively on their seven credit cards and personal lines of credit. Clearly, they have been spending more than they have been earning and not living within their means. Jesus warns that if you're not faithful with a small amount, then you will not be faithful with a larger amount (Luke 16:10). The reason is that they will apply the same worldly thinking and actions to an additional amount of income and in the long run will be no better off.

6. Is there any other biblical financial advice that you would give to Steve and Mary? Provide references to scripture.

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- ◆ Develop and implement a budget to ensure that they are spending less than their income, and use the surplus to pay down debt. (Luke 14:28–30).
- ◆ Refrain from investing until they have their debt under control (James 4:13–15).
- ◆ Meditate upon what God’s Word says on finances (Joshua 1:8) so that they can change the way they think—from worldly to godly (Romans 12:2).
- ◆ Pray and ask God for his wisdom (James 1:5) and his direction (Psalm 32:8) before making any major financial decision.
- ◆ Attend a small-group biblical financial study (Proverbs 27:17).
- ◆ Regularly read books that teach God’s financial principles. Appropriate authors are Howard Dayton, Larry Burkett, Ron Blue, and Austin Pryor.

7. Discuss the relevance and application of the following verses with regard to Steve and Mary’s situation. Write your comments below each verse.

*It is not good to have zeal without knowledge, nor to be hasty and miss the way. (Proverbs 19:2)*

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- ◆ This verse applies to Steve because he had zeal, or excitement, with regard to the investment without having the knowledge and understanding of the risks. In addition, Steve made a hasty decision (Proverbs 21:5) without obtaining counsel from God or a godly investment adviser (Proverbs 15:22).

*Do not wear yourself out to get rich; have the wisdom to show restraint. Cast but a glance at riches, and they are gone, for they will surely sprout wings and fly off to the sky like an eagle. (Proverbs 23:4–5)*

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- ◆ It is likely that Steve’s motive with regard to the investment was to earn a lot of money very quickly (to get rich quick). God warns against get-rich-quick schemes and the ungodly motive of wanting to get rich quick, which in substance, is greed. Colossians 3:5 warns that greed is part of our “earthly nature,” which God admonishes us to “put to death.”

*The way of a fool is right in his own eyes, but a wise man is he who listens to counsel” (Proverbs 12:15 NASB)*

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- ◆ **Steve was a fool because he did not listen to the counsel of his wife, and he did not seek the counsel of a knowledgeable godly investment adviser.**

*He who works his land will have abundant food, but the one who chases fantasies will have his fill of poverty. A faithful man will be richly blessed, but one eager to get rich will not go unpunished. (Proverbs 28:19, 20)*

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- ◆ **Steve and Mary should focus on getting their personal finances in order (i.e., spending less than their income and using the surplus to pay down debt). Steve should concentrate on earning his income from his own area of expertise (i.e., his profession, or his land as Proverbs words it), where he has knowledge and experience. Steve should avoid chasing fantasies.**

*Do not boast about tomorrow, for you do not know what a day may bring forth. (Proverbs 27:1)*

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- ◆ **God warns that we do not know what the future will bring, and therefore Steve should not assume that the promoter of the investment knows what the future value of the investment holds. In other words, there are no guarantees that the projected profits will actually be realized. It is simply the “best guess” of the promoter, who has an invested interest to be optimistic.**

### **Case Study #2**

Susan was really upset when she watched the evening news. The stock markets had crashed 22 percent. Her mind started racing, wondering what she should do. She watched TV for three hours that evening, listening to the commentary regarding the market crash. Many financial experts predicted that the economy was entering a severe depression and that investments would decrease by 80 percent to 90 percent over the next three years, just like the 1930s. Susan was worried, as she was depending on the investments in her RRSP for her retirement. That night she hardly slept at all.

**Questions**

1. If you were in Susan's situation, what would you do?

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- ◆ As outlined in point 10 in the earlier part of this session, I would follow God's directives and not human tendencies. Human tendency is to act out of fear and sell when there is bad news. However, with regard to the righteous man, God says, "He will have no fear of bad news; his heart is steadfast, trusting in the Lord" (Psalm 112:7). I would again acknowledge that only God knows the future (Isaiah 46:9–11; 2 Kings 7:1) and that only God is in control (Psalm 103:19). As a result, in dependence upon God, I would pray and ask the Lord for his wisdom (James 1:5) and his specific direction (Psalm 32:8), as to what I should do, if anything. If God directed me (1 Kings 19), and gave me his peace (John 14:27), I would consider purchasing assets in categories that had decreased significantly in value.
- ◆ Above all, I would continue to put God first in all areas of my life, including investing, and trust God to meet my needs (Philippians 4:19).

2. In light of the market crash, and the catastrophic predictions by the financial experts, Susan felt that she should sell all of her equities and own only GICs and government T-bills. Her friends were all doing this and she felt that it was appropriate for her. Do you think that this is a biblical approach to investing? Please provide scripture to substantiate your answer.

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- ◆ No, Susan would be acting out of fear, which is contrary to God's Word. God says, "Have no fear of sudden disaster or of the ruin that overtakes the wicked, for the Lord will be your confidence and keep your foot from being snared" (Proverbs 3:25, 26). Instead, Susan should pray and trust God to provide his wisdom (James 1:5) and his direction (Proverbs 3:5, 6), and to meet her needs as she puts God first in every aspect of her life (Matthew 6:31–33).

3. What would God want Susan to do? Please provide a reference to scripture for each point.

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- ◆ Pray, and depend on God (John 15) for his wisdom (James 1:5) and his direction (Psalm 32:8) as to what she should do, if anything.
- ◆ Ensure that she has developed and implemented a biblically based investment strategy. If not, make the appropriate adjustments.
- ◆ Ensure that her investments are biblically diversified (Ecclesiastes 11:1, 2).
- ◆ Determine the decrease in the value of her investments (Proverbs 27:23), and in dependence upon God, reassess her tolerance for risk and adjust the portfolio as the Lord directs.
- ◆ Obtain counsel from God's Word (Psalm 119:24) and a godly investment adviser (1 Corinthians 2:14, 15).
- ◆ Ask God to search her heart (Psalm 139:23, 24) to ensure that her motives for investing are godly and not worldly.
- ◆ Do not fear (Isaiah 41:10) but rather trust God to direct her (Proverbs 3:5,6).

4. In the stock market crash of October 19, 1987, many portfolios decreased in value by as much as 22 percent. However, a portfolio that was diversified in accordance with Ecclesiastes 11:1, 2 decreased only by 6 percent or 7 percent. A portion of the portfolio, such as bonds, increased in value and certain high-dividend-paying blue-chip stocks either increased in value or held their own. Fortunately, this was the case for Susan as she had learned from a Bible study that her portfolio must be biblically diversified. In addition, Susan had initially engaged the services of a godly investment adviser who implemented a biblically based investment strategy for her. In light of this new information, what do you think Susan should do now?

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- ◆ Generally speaking, Susan should “stay the course”—stick with her original investment plan. She should pray, and if directed by the Lord, purchase investments in cat-

egories that have decreased significantly as a result of the market crash and sell assets in categories that increased significantly. In other words, rebalance her portfolio to the original asset allocation that she felt led by the Lord to implement.

- ◆ Above all, she should obey God (Exodus 19:5) and trust God solely to meet all of her needs (Philippians 4:19).

5. Discuss the relevance and application of the following verses in respect of Susan's situation. Write your comments below each verse.

*So do not worry, saying, "What shall we eat?" or "What shall we drink?" or "What shall we wear?" For the pagans run after all these things, and your heavenly Father knows that you need them. But seek first his kingdom and his righteousness, and all these things will be given to you as well. Therefore do not worry about tomorrow, for tomorrow will worry about itself. Each day has enough trouble of its own." (Matthew 6:31–34)*

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- ◆ Susan should ensure that she is "putting God first" by prayerfully focusing her attention on God and his Word, *not* on the media or worldly financial experts. As a practical matter, she should pray and ask God to direct her according to his specific will for her life. As she does this, she should not worry but simply leave the results to God. As Dr. Charles Stanley puts it "Obey God and leave all of the consequences to Him."

*Have no fear of sudden disaster or of the ruin that overtakes the wicked, for the LORD will be your confidence and will keep your foot from being snared. (Proverbs 3:25–26)*

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- ◆ Susan should not be fearful, and in particular, she should not make any investment decisions out of fear. Fear-motivated investment decisions are generally bad decisions, and they are outside of God's will. Instead she should depend upon the Lord for her confidence and direction.

*Do not be anxious about anything, but in everything, by prayer and petition, with thanksgiving, present your requests to God. And the peace of God, which transcends all understanding, will guard your hearts and your minds in Christ Jesus. (Philippians 4:6, 7)*

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- ◆ Susan should not spend her time and energy being anxious and worried about the stock market crash. Rather, with a thankful heart, she should pray fervently to the Lord, and present her requests. God has promised that he will provide his peace, which will be beyond her understanding.

*Everything in the heavens and earth is yours, O Lord, and this is your kingdom. We adore you as being in control of everything. Riches and honor come from you alone, and you are the Ruler of all mankind; your hand controls power and might, and it is at your discretion that men are made great and given strength. (1 Chronicles 29:11, 12 TLB)*

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- ◆ Susan should remember that God is in control and that God will decide how material wealth will be allocated to people. She should also remember that, based upon Matthew 6:31–33, if she puts God first, it's God's responsibility (and his promise) to meet her needs.

*If any of you lacks wisdom, he should ask God, who gives generously to all without finding fault, and it will be given to him. (James 1:5)*

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- ◆ Susan should pray and ask God for his wisdom as to what she should do, if anything, with regard to the market crash.

### **Case Study #3**

Larry is the president and sole owner of ABC Industries Limited. Larry has owned and managed this company for over 25 years. Several years ago, he attended a Bible study and learned that God discourages debt. As a result, Larry made debt reduction a priority and today he is totally debt free, both corporately and personally. Although he has considered selling his business and possibly doing some full-time Christian work, he senses that God's calling at the present time is to remain in business. The business enables him to give substantial amounts of money to God's work and to witness to non-Christian businessmen who would likely never attend a church. Unfortunately, about 95 percent of his assets are in ABC Industries Limited.

When his accountant advised him to diversify—to accumulate assets outside of his com-

pany for future needs such as retirement—Larry explained that it made sense for him to have all of his investments in his company because he has specialized knowledge of the business and he controls the direction of the business. Besides, the value of this business has increased substantially over the past 25 years and Larry feels that it will continue to do so in the future. Further, he does not like RRSP's because he does not control those investments.

### **Questions**

1. Do you think that Larry's circumstances qualify him as one of those few individuals who would be exempt from applying God's "diversification principle" in Ecclesiastes 11:1, 2? After all, he is the president and sole owner, and he controls the direction of the company. Please explain your answer.

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- ◆ No, Larry still needs to diversify his total asset base as directed by God in Ecclesiastes 11:1, 2. Although Larry controls the direction of the company, he does not control the direction of the economy, interest rates, or the industry within which ABC operates (Proverbs 27:1). There are no guarantees that Larry's business will continue to do well in the future (James 4:13–15). Therefore, Larry would be well advised to reduce his percentage of asset allocation to his business and invest some money in other assets, perhaps something relatively safe and liquid (unlike his business) such as government bonds (Proverbs 27:12).
- ◆ In past 30 years, I have seen 100 to 150 cases where business people had their assets "over weighted" in their business. Inevitably, every business and every industry falls on hard times, and when this occurs, the results are often disastrous. In Ecclesiastes 11:1, 2, God's clear directive is to diversify, notwithstanding the entrepreneur's knowledge and control of the business.

2. What biblical investment principle is Larry's investment in ABC Industries Limited consistent with? Consider Proverbs 24:3, 4: "By wisdom a house is built, and through understanding it is established; through knowledge its rooms are filled with rare and beautiful treasures."

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- ◆ **Larry's investment in ABC industries Limited is consistent with Proverbs 24:3, 4, in that he has a thorough understanding and knowledge of the business.**

3. What investment advice would you give to Larry? Please indicate how you would explain this to him. Provide a reference to scripture where possible.

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- ◆ **Larry should prayerfully ask God how he could reduce his investment in the business and allocate it into other assets. There is no one solution for every entrepreneur. Larry needs God's specific guidance for his situation (Psalm 31:3).**
- ◆ **Ecclesiastes 11:1, 2 would appear to encourage the allocation of no more than one-seventh or one-eighth into any one investment, which is appropriate for most Christians. However, in light of Larry's calling from God (to remain in business) and Larry's understanding of ABC Industries Limited, I believe that this does not need to be followed legalistically (as it is a biblical principle not a law). Because it is a Christian's responsibility to provide for the needs of one's family (1 Timothy 5:8), in my view, it is necessary for the entrepreneur to accumulate only sufficient assets outside of his business in order to provide for the needs of the family, which would include children's education and retirement for mom and dad.**

4. Discuss the relevance and application of the following verses with regard to Larry's situation. Write your comments below each verse.

*Cast your bread upon the waters, for after many days you will find it again. Give portions to seven, yes to eight, for you do not know what disaster may come upon the land. (Ecclesiastes 11:1, 2)*

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- ◆ **Larry needs to diversify his asset base. More specifically, he needs to sell either a portion of the assets in his business or perhaps a percentage of the shares of the company. The monies received should then be invested in something like government bonds, GICs, or a safe money market fund.**

*Now listen, you who say, “Today or tomorrow we will go to this or that city, spend a year there, carry on business and make money.” Why, you do not even know what will happen tomorrow. What is your life? You are a mist that appears for a little while and then vanishes. Instead, you ought to say, “If it is the Lord’s will, we will live and do this or that.” (James 4:13–15)*

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- ◆ **Larry has made the false assumption that his business will always do well, and he needs to understand that there are no guarantees in this regard. Therefore, he should seek God’s specific direction as to what he should do.**

*The LORD has established His throne in the heavens, And His sovereignty rules over all.” (Psalm 103:19 NASB)*

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- ◆ **God is in control of everything, including Larry’s business, the economy, interest rates, etc. Although Larry feels that he is in control of his business, the biblical truth is that God is the ultimate authority on this earth.**

*But Jehoshaphat also said to the king of Israel, “First seek the counsel of the LORD.” (1 Kings 22:5)*

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- ◆ **Larry needs to seek the counsel of the Lord and determine what God wants him to do. Plans fail for lack of counsel, but with many advisers they succeed. (Proverbs 15:22)**
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- ◆ **Reallocating Larry’s assets will not be a simple task, and therefore Larry should obtain input from several godly financial advisers (see the definition Session 7) and his wife (Genesis 2:24).**



**Case Study #4**

As a new Christian, Dennis read a book by Austin Pryor titled *Sound Mind Investing*. Pryor provides a detailed explanation of what God's Word says on investing with practical applications. Dennis was amazed with God's wisdom on investing and noted that in many respects it was contrary to the world's wisdom. As a result, he prayed regularly and asked God to provide wisdom and specific direction in managing investments that God had entrusted to him.

Through practical experience and studying God's Word on investing, Dennis learned that the financial experts of today cannot know with any certainty what is the best investment, and therefore they are just giving it their best shot. Dennis realized that the biblical truth is that only God knows the future, and only God is in control.

As a result, Dennis prayerfully developed a biblically based investment strategy. Three to four times per year, Dennis spends quality time with the Lord in prayer and meditates on God's Word, documenting what he believes God wants him to do with regard to "God's investments." When he senses God's peace regarding any adjustments to the portfolio, he implements those adjustments immediately and trusts God for the results. As directed by the Lord, he consults with one or two godly investment advisers.

In dependence upon God for wisdom and direction, Dennis diversifies the portfolio into different categories of investments that will likely react differently to any particular market condition. He understands that diversification should reduce the risk and volatility of his total portfolio. Further, Dennis will invest only in things that he understands and only if he has enough time to pray about it. He refuses to make any quick decisions, even if it means losing an opportunity. And Dennis purposely uses no debt, even though it is readily available.

God has blessed Dennis with an average return on investment of 12 percent per annum over the past 15 years and with relatively modest volatility. During bad markets, Dennis spends even more time with the Lord, seeking God's wisdom, direction, and peace. Dennis regularly praises God for his wisdom, direction, and blessings.

Originally Dennis invested with the objective of saving for future family needs, such as education and retirement. However, he also invests with the objective of giving as much as possible to God's work. When he does this, he experiences the joy of giving and is thankful that there are eternal benefits for giving to God's work.

**Questions**

1. List the biblical principles that Dennis has followed. Note there are many of them. Provide references to scripture.

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- ◆ He prayed and asked God for his wisdom (James 1:5).
- ◆ He acknowledges that only God knows the future (Isaiah 46:10), and therefore he depends on God (John 15) to guide him (Psalm 31:3).
- ◆ Dennis meditates on specific verses that apply to investing (Joshua 1:8).
- ◆ He has developed and implemented a biblically based investment strategy.
- ◆ He prays regarding specific investment decisions, and he waits until God gives him peace (Psalm 37:7; John 14:27).
- ◆ Once he has received God's direction, he implements those specific investment decisions and trusts the Lord for the results (Proverbs 3:5, 6).
- ◆ Dennis's portfolio is biblically diversified (Ecclesiastes 11:1, 2).
- ◆ He consults with two godly financial advisers (Proverbs 12:15).
- ◆ He invests only in things that he understands (Proverbs 24:3, 4).
- ◆ Dennis uses no debt (Proverbs 22:7).
- ◆ During bad markets, he spends quality time with the Lord seeking God's direction. He does not give in to fear (Psalm 112:7).
- ◆ Dennis praises God for his wisdom, direction, and blessings (Psalm 118:1, 2).
- ◆ Dennis gives generously to God's work (2 Corinthians 9:6, 7).

2. Do you think it is just a coincidence that Dennis's portfolio has earned 12 percent over 15 years with modest volatility? Please explain your answer.

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- ◆ Absolutely not. Dennis has carefully followed God's investment principles and God's specific direction for him, and therefore God has blessed accordingly.

3. What do you think about Dennis's reaction to bad markets?

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- ◆ During bad markets, Dennis spends even more time with God in prayer seeking God's wisdom and God's peace. This is exactly what God wants us to do. Because Dennis's focus is on God rather than what is happening in the markets, he experiences God's peace during these difficult times (Philippians 4:6, 7) and does not sell but waits (Psalm 37:7) until the market returns to normal. He trusts God for the results (Proverbs 3:5, 6).

4. Discuss the relevance and application of the following verses with regard to Dennis's situation. Write your comments below each verse.

*Your word is a lamp to my feet and a light for my path. (Psalm 119:105)*

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- ◆ **Dennis understands that God's Word provides direction for us in every aspect of life, including investing.**

*My sheep listen to my voice; I know them, and they follow me. (John 10:27)*

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- ◆ **During his prayer time with the Lord, Dennis listens for God's specific direction regarding the investments that God has entrusted to him.**

*Cast your bread upon the waters, for after many days you will find it again. Give portions to seven, yes to eight, for you do not know what disaster may come upon the land. (Ecclesiastes 11:1, 2)*

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- ◆ **Dennis has developed and implemented a biblically diversified investment strategy.**

*If a man remains in me and I in him, he will bear much fruit; apart from me you can do nothing. (John 15:5)*

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- ◆ **Dennis has remained connected to God (dependent upon or abiding in God) for God's specific direction in managing the investments. As a result, God has blessed him, not only financially but also with God's peace during the bad markets and in experiencing God's joy in the area of giving. There will be rewards in heaven for Dennis's stewardship (Matthew 16:27).**

*Blessed is the man who does not walk in the counsel of the wicked or stand in the way of sinners or sit in the seat of mockers. But his delight is in the law of the LORD, and on his law he meditates day and night. He is like a tree planted by streams of water, which yields its fruit in season and whose leaf does not wither. Whatever he does prospers. (Psalm 1:1–3)*

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- ◆ **Dennis does not listen to worldly financial advisers or the media, but rather he focuses on God, and his Word. Hence, Dennis's investing has prospered.**

*Give, and it will be given to you. A good measure, pressed down, shaken together and running over, will be poured into your lap. For with the measure you use, it will be measured to you. (Luke 6:38)*

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- ◆ **With the right heart, Dennis has given generously to God's work, and as a result God has blessed him in return—financially, spiritually, and emotionally (i.e., God's peace).**

## PRAYER

Review the prayer logs at the back of this book, and pray for each other. Also list any new prayer requests and answers to prayer, and feel free to share them at the next meeting.

## DEVELOPING A BUDGET

Continue recording your personal expenditures and developing your budget each week.