



What Every Christian Investor Needs to Know

Does God, through the Holy Spirit, guide the Christian in making specific investment decisions? It is possible. For example, a member of my family tells a story of needing funds and getting ready to sell some stock holdings in a particular company in order to raise the needed funds. She did not know very much about financial markets, in general. Though what natural ability God had given her in this area, she did and does apply. But God spoke to her when she got ready to make this important financial decision. He told her to wait. He did not tell her how long. He simply told her to wait. 3 days and a 20% increase later, she felt that God was telling her to go ahead. How nice would it be if God guided all of our investment decisions this way? We could all retire in a very short time. This was most likely a special case of God using the stock market to supply for a specific need. Still, we should seek God's wisdom, guidance, and blessing in everything we do, including investing. However, a lot of the wisdom and guidance we are going to get is already given in his word. We should not ignore the wisdom in his word and still expect his blessings.

The Book of Ecclesiastes provides instruction that is specific to investment management. So, the bulk of this study is from that book. Solomon was one of the wisest, most wealthy investors who ever lived. We would be wise to heed the instruction God has given us through him. Both Proverbs and Ecclesiastes provide broader principles and wisdom that can be applied to managing our investments.

Through this study, we will find that we aren't guaranteed specific investment advice or instruction from God. While specific instruction is possible, we are primarily given instructions to practice wisdom and due diligence in making these decisions. We are to understand and accept that uncertainty, also known as risk, is an unavoidable part of life for believers and non-believers alike. We are taught to practice diversification of risk. We are taught not to ignore history. We are taught to draw reasonable conclusions based on evidence. We are taught to maintain discipline, letting wisdom, analysis, and planning drive our decisions, rather than emotions such as fear and greed. We are taught to avoid tainted wealth. Finally, we aren't guaranteed to get better results than non-believers. Ecclesiastes 9:1 says, "No one knows whether God will show them favor."

However, while not an explicit guarantee of a particular outcome, Ecclesiastes 10:10 teaches us that wisdom can *help us* to succeed. More importantly, we can accomplish peace of mind and a clear conscience that comes with knowing that we followed God's instructions in this important area of our financial lives. Think of it this way, if we compromise our principles to invest in a way which God would not approve, we are directly trading heavenly treasures for earthly treasures. Ecclesiastes 11:9 instructs us to remember that we must give an account to God for everything we do. This includes how we managed the resources that God entrusted to us.

Below you will find specific verses (or portions of verses) quoted from either the New Living Translation or the New International Version, along with commentary regarding how we can apply these

truths in an investment management context. Some of it will be repetitive, but the concepts are so extremely important that it can't hurt to repeat them.

Due Diligence and Wisdom

The first, and possibly most important point to be made, is that we are to seek wisdom in everything we do. At the turn of the twentieth century, individual investors had no way of getting good financial research. Today, we have so much that it can quickly become overwhelming to try to make sense of it all. Indeed, the world is not short on financial information and advice. But which financial advice, principles, and practices are confirmed in God's word? The answers are below. Christians should be concerned with making a sincere effort to understand and apply these investment management principles, and to use sound judgment in making specific investment decisions.

Ecclesiastes 4:9 – “Two people are better off than one, for they can help each other succeed.”- NLT
Three are even better. This follows along with the idea of having many advisers (Proverbs 15:22). In regard to investment management, this could be applied by educating ourselves with more than one source of information (or considering more than one school of thought). Investment decisions among institutional investors are frequently made “by committee”. There may be one person who has the final say, but there is normally a team that thoroughly analyzes and discusses situations before decisions are made. Along with providing more information and insight, this helps ensure that decisions are not based on emotion. The logic is that it's much easier for one person to make an emotional decision than it is for an entire room full of educated, well-trained (and very opinionated) people to do so. The only drawback, in practice, is that too many “decision makers” can sometimes lead to inability to agree upon, and therefore make a decision. Another potential complication is that the only investments made are those that are considered extremely low risk, because everyone can agree upon them. There is a proper balance which must be achieved. For the individual investor, you may seek the help of a professional, or more than one professional. You may seek the opinion and guidance of analysts, financial writers, etc. Married couples may make decisions together. Investment clubs or online forums are another area in which investors consult with each other. The bottom line: you don't have to make these decisions entirely on your own.

Ecclesiastes 8:1 – “How wonderful to be wise, to analyze and interpret things.” – NLT
Investments and finances are a great place to practice wisdom, analysis, and interpretation. As noted above, there is tons of information available. In order to make sense of it all, we must employ some level of wisdom, which I think of as the ability to apply common sense and sound judgment to investment decisions. Analysis is a way to turn existing information into more useful information. For example, it's great to know that a company is producing high Return on Equity. But going further, one could use the Dupont Model to break Return on Equity down into 3 individual components, gaining better insight into what caused the number to be high. Is it high profit margins, high asset turnover, or high leverage? The difference could be very important. Interpretation is the application of one's ability to understand the information given. What good is information and data if we don't have the ability to make sense of it? The ability to interpret financial information is something that will come with study and practice. But, anyone can do it.

Ecclesiastes 8:5 – “Those who are wise will find a time and a way to do what is right.” – NLT

Christian investors must perform due diligence. We cannot make excuses that we did not have the time or understanding needed to follow basic biblical principles in regard to our investment activities. It could be considered wise to put our trust into a financial advisor, just as one puts his trust in a doctor regarding health related issues. But you should never blindly follow a doctor's advice to have surgery without getting other opinions. You should at least try to understand what is happening, why it's happening, and the potential risks involved. In other words, even when we seek the help of qualified professionals, we ultimately remain responsible for our decisions. We are not responsible for the outcome. But, we are responsible for doing the best we can to follow biblical instruction.

Ecclesiastes 8:17 – “Not even the wisest people discover everything, no matter what they claim.” – NLT

Realize that we cannot possibly know everything there is to know even about a single investment we make, much less the entire world of investing. In spite of our best efforts, we will make mistakes at times. It follows that only there is only so much we can do. We should therefore practice moderation in regard to the effort and energy we expend on each area of our lives, including investment activities. There is a second insight to be drawn from this verse. It also indicates that we should exercise caution, especially in regard to extravagant claims. High returns and low risk do not go together. Be wary of any strategy which claims to offer both.

Ecclesiastes 9:10 – “Whatever you do, do well. For when you go to the grave, there will be no work or planning or knowledge or wisdom.” - NLT

Again, we are taught to work diligently at what we do, with planning, knowledge, and wisdom. It makes sense to spend more than 10 minutes a month on something if your financial future, goals, etc. depend upon it.

Ecclesiastes 10:5-6 – “There is another evil I have seen under the sun. Kings and rulers make a grave mistake when they give great authority to foolish people and low positions to people of proven worth.” – NLT

This can apply to selecting financial advisors, reviewing the leadership of companies in which we invest, and determining which financial analysts and writers to give our time, attention, and trust. In regard to financial advisors, we must also understand their motivations. Knowing how they are paid is crucial to understanding what their recommendations will ultimately be worth to us. Alignment of incentives is very important. In regard to analysts and writers, you can review track records in order to understand if their worth is proven, but you should also review the logic behind their strategies. Even fools can get lucky. Make sure that what you're doing ultimately makes sense *to you*. You may also want to pay attention to their marketing practices. If a financial website claims that they will help you avoid being driven by fear and greed, then sends out 10 emails a day with subject lines such as “Read this before the market crashes” or “You can't afford to miss this investment” or “How to double your money in 6 months”, it is clear that they don't practice what they preach. They tell you to avoid fear and greed in order to sound wise, while also appealing heavily to your sense of fear and greed. They may actually be wise, but also unscrupulous and seeking to make a fool of you. This is important. It is called “evil” and a “grave mistake” to esteem foolish people while forsaking the wise. Rather than follow recent trends, or bank on supposed new paradigms, it is probably best to adhere closely to the time tested wisdom of such great investors as Benjamin Graham, Warren Buffett, and Peter Lynch.

Ecclesiastes 10:10 – “Using a dull ax requires great strength, so sharpen the blade. That's the value of wisdom; it helps you succeed.” – NLT

This is an indication that applying wisdom will make our financial lives easier and relieve unnecessary burdens. It also tells us that wisdom will help us succeed. I don't see this as an explicit guarantee of achieving your desired results. But we can form a reasonable expectation that those who apply wisdom will, on average, achieve better results than those who do not. If your goals are reasonable and realistic, there's nothing stopping you from achieving them.

Ecclesiastes 10:13 – “Fools base their thoughts on foolish assumptions...” – NLT

Investment management requires that we make many assumptions. We must make reasonable assumptions. For example, if a company has paid dividends in each quarter for the last 25 years, that's a long track record. If the management of that company indicates that they continue to be committed to paying the dividend, and there is nothing to indicate financial trouble, we can reasonably expect to receive the dividend at the end of the next quarter. However, we must not make foolish assumptions. For example, why should we listen to an “analyst” who is getting paid to promote a particular stock? Isn't it foolish to assume that being paid by the company does not influence his recommendations? Can we assume that a company with high net income but very low cash generation is giving us the real story? Can we assume that a company will continue paying its dividend when they appear to have ongoing cash flow problems? There are many other examples.

Ecclesiastes 10:16 – “What sorrow for the land ruled by a servant, the land whose leaders feast in the morning.” – NLT

This indicates a need to be very familiar with the leadership of a company, and to follow their actions when investing in their company. Strong leadership, proper corporate governance, and insider activity in a stock; these are key pieces of information to consider before investing in a particular company.

Ecclesiastes 10:17 – “Happy is the land whose king is a noble leader and whose leaders feast at the proper time to gain strength for their work, not to get drunk.” – NLT

Again, what do we look for in a leader? Honesty, integrity, and feasting at the proper time. Are they buying or selling? Are their sales coming after many years of gains and truly for the purpose of diversification, or are they coming in waves right after positive sounding announcements? Do they have a track record of misleading investors? We should study the history of a company's leadership as much as possible.

Ecclesiastes 10:18 – “Laziness leads to a sagging roof; idleness leads to a leaky house.” – NLT

We should look for leadership that has not become complacent with their position in the market. When a market leader begins to act as though they are without competition, and are not diligent in identifying new risks and new opportunities, they are setting themselves up for a fall.

Ecclesiastes 11:3 – “When clouds are heavy, the rains come down. Whether a tree falls north or south, it stays where it falls.” – NLT

Even though we cannot predict the future with certainty, we can form reasonable expectations based on evidence. When clouds are heavy, the rains come down. Whichever way a tree falls is the way it will lie. Solomon is saying here that reasonable determinations and conclusions can be made based on available information. We know that more often than not, rain comes when clouds are heavy. We know with certainty that a tree will lie whichever way it falls. So, in some areas, we can determine what is probable to happen. In other areas, there are certain truths that will always hold.

Ecclesiastes 12:12 – “But, my child, let me give you some further advice: Be careful, for writing books is endless, and much study wears you out.” – NLT

Proverbs 23:4 “Don't wear yourself out trying to get rich. Be wise enough to know when to quit.” – NLT

Achieve moderation and balance. Practice spending a reasonable amount of time in each area of your life. Don't become too obsessed with investing or any other single area of life. Don't spend too much time and energy analyzing the endless streams of financial information out there. The payoff for studying and understanding investments and markets levels off quickly. The best investment managers spend all of their time and millions on resources trying to outperform the market each year, and most of them achieve market average returns before expenses (after accounting for expenses, the vast majority of mutual funds underperform their benchmarks). Get the basics down, apply your knowledge responsibly, and let your money work for you. If you cannot understand an investment strategy with a reasonable amount of study and effort, it may be best to ignore it. Keeping it reasonably simple is a good practice.

Proverbs 21:5 “The plans of the diligent lead to profit as surely as haste leads to poverty.” - NIV Proverbs 10:4 - “Lazy hands make for poverty, but diligent hands bring wealth.” – NIV

Rather than being hasty, take the time to understand your investments. Never be hasty to invest in a company just because you are familiar with a product or service they provide, because you read a positive sounding article, or because your neighbor invested in it, etc. Be reasonably diligent in researching, analyzing, and interpreting the information you are given.

Proverbs 14:15 “The simple believe anything, but the prudent give thought to their steps.” – NIV

Pay attention and practice discernment in regard to how something is marketed or presented to you. Be wary of investment strategies or products which make promises that sound too good to be true. Be wary of anything that appeals to your sense of fear or greed. Be wary of company management that makes extravagant promises, but rarely delivers. Finally, be aware of outright fraud. Financial scams exist everywhere, even in churches. In fact, scam artists [routinely target](#) the trusting nature of Christians to execute their cons.

Proverbs 19:2 “Enthusiasm without knowledge is no good; haste makes mistakes.” – NLT

So, you've read “Stock Investing for Dummies” and you're ready to go out and conquer the financial world... Instead, take time and exercise caution and prudence in practicing what you've learned. Expect to make some mistakes along the way. Manage your expectations and your emotions. Sound investments are expected to pay off over long periods of time, so there shouldn't be too much room for excitement in your investment activities. Investing can be interesting, fun, and very rewarding. Enthusiasm with knowledge is good, but if you find yourself feeling overly excited about an investment, it may be a red flag that you are acting out of greed. It is crucial to manage your emotions, and take your time.

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.” – NIV

The house can be seen as a metaphor for a person's life, an organization or business, even a country. The principle is also true for a person's finances. We can expect good results by practicing wisdom and understanding.

Maintaining Discipline

Ecclesiastes 5:4 – “When you make a promise to God, don’t delay in following through, for God takes no pleasure in fools. Keep all the promises you make to him.” – NLT

If you commit to God to give a percentage of your income or investment returns, follow through. Don’t make excuses or become dishonest in regard to honoring your commitments. If you commit yourself to avoid investing in companies that do not meet your moral criteria, stick to that discipline, no matter what. Don’t compromise out of fear or greed.

Ecclesiastes 5:10 – “Those who love money will never have enough.” – NLT

If you love money, you will never have enough. Wealth cannot buy true happiness. Every good thing we do on earth must be done with God’s purposes in mind. If you work hard, whether you are rich or poor, you will sleep well at night. Greed will lead you down the wrong path, especially in regard to managing investments. Stick to your discipline. Avoid letting emotions such as greed drive your investment decisions. Greed leads people to take unnecessary and foolish risks in stock and bond markets. As much as possible, strip emotion out of the equation by developing and sticking to a discipline.

Ecclesiastes 7:8 – “Finishing is better than starting. Patience is better than pride.” – NLT

This applies to sticking with an investment discipline. If you start out doing things the right way, and later become impatient, you may never reach your goals. It isn’t wise to simply jump on the latest bandwagon of investment strategies or products. Wise investors choose a particular discipline that has been proven to work over long periods of time. Then, they achieve success by sticking to that discipline.

Ecclesiastes 7:29 – “God created people to be virtuous, but they have each turned to follow their own downward path.” – NLT

We all follow our own downward path at some point in our lives, but we must strive to be what God created us to be. The NIV says we “have gone in search of many schemes” as opposed to following the path of righteousness that God created us to follow. This definitely applies to finances. There are plenty of “schemes” one could follow with his or her investment dollars. Do not compromise to follow schemes or downward paths. Don’t compromise your moral values when it comes to money or investing. Don’t compromise your investment discipline or moral discipline in regard to investing.

Ecclesiastes 10:1 – “So a little foolishness spoils great wisdom and honor.” – NLT

You can practice sound investment management over a long period of time then destroy it all in an instant by becoming greedy or foolish. Never compromise on the principle of sound strategies, even when times are bad. There will be times when you get tired of watching your equity investments drop in price. You may be tempted to sell just so that you don’t have to watch it go any lower. However, for all you know, you may be selling at a bottom. You simply can’t afford to take the risk of jumping completely in and out of the market. Stick to your strategy even when it seems to have fallen out of favor. There will also be times when you aren’t getting the high returns of those who take greater risk, but maintain your discipline. Don’t spoil your results with a moment of greed or fear.

Ecclesiastes 11:1 – “Send your grain across the seas, and in time, profits will flow back to you.” – NLT

The key here is the phrase, “in time”. Do not look for or expect overnight profits. To realize very large returns in a very short time, oftentimes, indicates that someone has taken high, foolish, and unnecessary risks and has simply gotten lucky. It does not always mean that. There are times when solid companies are significantly undervalued. However, investments should be expected to pay well over time without taking great risks. Always remember that responsible investing is expected to pay off *over significant periods of time*.

Ecclesiastes 12:11 – “The words of the wise are like cattle prods – painful but helpful. Their collected sayings are like a nail-studded stick with which a shepherd drives the sheep.” – NLT

There are several insights here. First, the right advice is not always the advice we want to hear. Try telling a novice investor who took a lot of risk and enjoyed a 50% return in his first year of investing that what he did was not wise. He will likely laugh at you. Not only is he happy with his return, he is also very self-satisfied, basking in the glow of his (perceived) superior financial prowess. Painful though it may be, he will be more open to acknowledging the truth of his own inability to predict the future when he is down 70% the next year. It may be that you think investing isn't worth your time unless you can get rich quick doing so. But the painful truth is that the Bible describes such a perspective as being greedy and unwise. Second, “collected sayings” implies that we should collect our advice and information from more than one source.

Proverbs 25:28 “A person without self-control is like a city with broken-down walls.” – NLT

Manage your emotions. Ask God to give you self-control. It is one of the fruits of the Spirit (Gal 5:23). Never rush into popular investments, strategies, or trends without thorough analysis and thought. Don't allow fear and greed to cause you to rush into or out of anything. Take time before making decisions. Don't let market movements cause you to make rash decisions. Maintain your discipline, which is based on wisdom and sound judgment. This is the most difficult part of investment management; not knowing what you should do, but actually doing it. Markets move, investments go up and down, and emotions can start to take over. Maintain your discipline.

Proverbs 12:11 “A hard worker has plenty of food, but a person who chases fantasies has no sense.” – NLT

Proverbs 28:19 - “A hard worker has plenty of food, but a person who chases fantasies ends up in poverty.” – NLT

There is no shortage of investment schemes that offer the ability to get rich quick. Penny stocks are a common area in which people chase fantasies. Spend a reasonable amount of time and effort looking for good investments and expect reasonable returns. In so doing, you will almost certainly have “plenty of food”.

Uncertainty

Please bear with me for a moment while I get philosophical. God created us and put us into an uncertain world. The existence of risk causes us to look to our creator for guidance and help. God wants us to live by faith. He wants us to use the tools he has given us, but some uncertainty will always remain. If God removed all of the uncertainty from life tomorrow, we would most likely forget about him in short order. If God made us with the ability to know and understand everything about the universe in which we live, we probably would swell with pride. We would probably decide that we don't need him. We already do that on some level with the tiny bit of information and understanding we've acquired to this point. Instead of being prideful, maybe we should recognize that the more we learn, the more we realize how little we truly know. The universe is bigger and more complex than anyone could have imagined when we first set out to explore it. There will always be things we do not understand. Indeed, there are things mankind is incapable of understanding. The future falls into the category of things that we simply cannot explain (i.e. predict). We can do our best to look forward, using all of the evidence we have available at the time. But, no matter how much we study, analyze, and forecast, we will always face uncertainty in regard to the future.

Ecclesiastes 5:14 – “Money is put into risky investments that turn sour, and everything is lost.” – NLT
Put money into risky investments and you could lose *everything*. I think it is clear that God would have us to be wise and prudent in regard to taking risk. Very risky strategies that have the expectation of either making one rich or bringing significant losses should be avoided.

Ecclesiastes 7:14 – “Enjoy prosperity while you can, but when hard times strike, realize that both come from God. Remember that nothing is certain in this life.” – NLT

First, we see that when bad times come, we have no just complaints against God. We should use bad times for personal and spiritual growth. Along with everything else in your life, your investment activities will be less than perfect. There will likely be times when it seems you have done everything right, but aren't getting the results you had hoped for. Lean on God during those times. Ask for his help. Uncertainty is an inevitable part of life. That includes investing. We should employ all of the tools at our disposal to understand, reduce, and mitigate risk, but we must understand and accept that some risk will always remain.

Ecclesiastes 7:15-17 – “I have seen everything in this meaningless life, including the death of good young people and the long life of wicked people.” “Don't be a fool! Why die before your time?” – NLT

There are two main points here. You can die before your time by being foolish. So, our future is not predetermined, nor is it left entirely to chance. What you do makes a difference in determining your outcome. However, again, nothing is certain. Even a “good” person can die young. No matter how prudent, righteous, or wise we are, some uncertainty remains.

Ecclesiastes 8:7 – “Indeed, how can people avoid what they don't know is going to happen?” – NLT
We cannot avoid uncertainty. Through proper planning, advice, counsel, analysis, and interpretation, we can greatly reduce and mitigate risk, but risk is a part of life and a part of investing.

Ecclesiastes 9:11 – “The fastest runner doesn't always win the race, and the strongest warrior doesn't always win the battle. The wise sometimes go hungry, and the skillful are not necessarily wealthy. And those who are educated don't always lead successful lives.” – NLT

Some level of uncertainty will always remain. We should realize that “chance” still factors into our investment results, no matter how much planning, wisdom, education, or skill we employ. In this respect, we must ultimately pray for God's favor and blessings and be thankful to him no matter the result.

Ecclesiastes 9:12 – “People can never predict when hard times might come. Like fish in a net or birds in a trap, people are caught by sudden tragedy.” – NLT

We cannot predict with 100% accuracy what will happen. Hard times may come quickly, when we don't expect them. It is best to be prepared as much as possible. Risk management practices should be employed. A view of one's total portfolio is important. Risk can be reduced and mitigated through a number of techniques, but the primary one is diversification. Investors can diversify across asset classes, countries, currencies, sectors, industries, and companies.

Ecclesiastes 10:8-9 – “When you dig a well, you might fall in. When you demolish an old wall, you could be bitten by a snake. When you work in a quarry, stones might fall and crush you. When you chop wood, there is danger with each stroke of your ax.” – NLT

Even though we must accept that some risk will always remain, it would be very foolish to ignore risk altogether! Further, Solomon is indicating that we can understand specific risks. It follows that as we

understand those risks, we can take steps to mitigate them. For example, when working around a well, one might decide to make good use of a rope. When one notes that a certain asset class or sector of the market seems overpriced due to irrational exuberance, he would do well to reduce his exposure.

Ecclesiastes 10:14 – “No one really knows what is going to happen; no one can predict the future.” – NLT

Again, we see that uncertainty is an unavoidable part of life. We can practice wisdom, analysis, interpretation in order to mitigate and reduce risk, but risk cannot be eliminated.

Ecclesiastes 11:2 – “But divide your investments among many places, for you do not know what risks might lie ahead.” – NLT

No matter how thoroughly we review the risks of a particular investment and become comfortable with it, there will still be uncertainty and even unidentified risks. For this reason, diversification is recommended.

Ecclesiastes 11:5 – “Just as you cannot understand the path of the wind or the mystery of a tiny baby growing in its mother’s womb, so you cannot understand the activity of God, who does all things.” - NLT

Again, we simply will not understand everything that happens in this world. That is at least as true, if not more, in financial markets as it is anywhere else in life. If you make an investing mistake, learn what you can and move on. Realize that it’s simply a part of investing. You won’t be able to foresee every possible outcome. This verse also applies to certain investment strategies. Trying to understand certain market phenomenon is akin to trying to understand “the path of the wind”, that is, randomness. Human beings tend to see patterns where there are none, because we want to be able to make sense of things. Still another type of example would be a strategy is based on the correlation between two variables. Yet, there is no intuitive reason for the two variables in question to have any relation to one another. It may be best to avoid such a strategy. On the other hand, some variables are correlated with good reason. There is much data that we can make sense of and use to build effective investment strategies. There are also strategies built upon questionable relationships, trends, and data, which should be avoided.

Diversification

Ecclesiastes 7:18 – “Pay attention to these instructions, for anyone who fears God will avoid both extremes.” – NLT

While Solomon is speaking of a broader principle to practice moderation and achieve balance in all areas of our lives, the principle definitely applies to investment management. In studying a particular market, trend, company, etc., you may become thoroughly convinced of a particular outcome in the future. Nonetheless, it is not wise to employ extreme positions based on any particular forecast.

Ecclesiastes 9:18 - “...one sinner can destroy much that is good.” - NLT

I think the principle identified here applies, at least indirectly, to investment management in one sense. That is diversification. If my portfolio is made up of only 3 stocks, one poorly performing stock could destroy my returns. One poorly performing stock cannot destroy my portfolio returns if I have a maximum limit of 5% for any particular company.

Ecclesiastes 11:2 – “But divide your investments among many places, for you do not know what risks might lie ahead.”- NLT

The modern science of investment management has confirmed that we would be wise to follow Solomon’s instructions given thousands of years ago. Diversification allows for more “efficient” portfolios, i.e. higher returns for a given level of volatility. A more literal translation of this verse is found in the NIV, which says, “Invest in seven ventures, yes, in eight; you do not know what disaster may come upon the land.” I do not take that as a literal instruction for me in this day and age to set my target at 7-8 investments. I believe that 7-8 different investments was probably *the most* Solomon could imagine having *at one time*, given the types of opportunities which existed, and the level of work and due diligence involved. So, I tend to agree with the NLT translators, that the guiding principle is to divide your investments “among many places.” Today, it is very easy to invest in 30, 50, or even 100 securities. The conventional wisdom is that the full benefit of diversification can be achieved with around 30 different stocks, as long as they are spread across different sectors and industries. Anything beyond that may mean that you are choosing stocks that aren’t really all that attractive, just to have more diversification. But, you’ve already got the full benefit of it with 30 stocks. Further, it is tough to monitor 100 stocks. It can be done, but with that many investments, you must be prepared to spend a significant amount of time and effort following the instruction found in Proverbs 27:23. All of that being said, I would not be able to dispute a believer who takes the stance that this verse should be interpreted and followed literally, having only 7-8 investments. Man’s wisdom says that having only 7-8 investments leaves you with unnecessary risk, but each believer must do what they believe God is telling them personally to do.

Ecclesiastes 11:6 – “Plant your seed in the morning and keep busy all afternoon, for you don’t know if profit will come from one activity or another – or maybe both.” – NLT

This speaks to the fact that we cannot know for certain which investments will provide the gains we seek, and should therefore practice diversification. It’s therefore best to stay as open as possible to various opportunities, while also remembering to maintain your discipline.

History

Ecclesiastes 3:15 – “What is happening now has happened before, and what will happen in the future has happened before, because God makes the same things happen over and over again.” – NLT

This reads like a guarantee that history will repeat itself. We should make use of historical data and analyze various types of information such as mean reversion, statistical analysis, and correlation and build useful insights into our investment process.

Ecclesiastes 3:1 - “For everything there is a season, a time for every activity under heaven.” If there is a proper time for everything, how does this apply to investment management? This principle could be applied mainly to portfolio management. It could apply in terms of sector rotation, tactical asset allocation, duration targets (fixed income investments), etc. For example, when interest rates are at historically low levels, that generally isn’t a good time to lengthen the duration of a fixed income portfolio. In order to know what the right time is for a particular action, we must study history.

Fear

Ecclesiastes 11:4 – “Farmers who wait for perfect weather never plant. If they watch every cloud, they never harvest.” – NLT

Fear can definitely paralyze us. We must accept that some risk is inherent and cannot be completely avoided. We are advised in Ecclesiastes to understand and analyze risk and make wise decisions, but we are also very clearly instructed that we must take some level of risk in life. No investment is perfect. If we bury our “talents” in the ground, we are probably operating out of fear or laziness. The farmer who waits for perfect weather will never harvest any crops. There is a difference between a healthy level of skepticism and caution versus outright fear. By the same token, we can employ too much analysis, especially in order to justify our fears. Then, we may never do anything productive. Avoid “paralysis by analysis”. Don’t be the farmer who watches every cloud looking for an excuse not to plant. We should do a reasonable amount of due diligence and realize that we will have to accept some risk if we expect to receive a harvest.

Greed

Proverbs 28:19-20 “The trustworthy person will get a rich reward, but a person who wants quick riches will get into trouble.” - NLT

If you’re looking for quick riches, you’re headed for trouble. There’s not much I can add to that.

Proverbs 13:11 “Wealth from get-rich-quick schemes quickly disappears; wealth from hard work grows over time.” – NLT

Wealth from hard work *grows*. It’s wise to watch your money grow. The best way to do that is to work diligently at managing your investments. Even if a “get-rich-quick” scheme works out, you should expect it to disappear quickly. It seems clear that we should look for our money to grow *over time*, rather than chasing a quick buck.

1 Timothy 6:10 “For the love of money is the root of all kinds of evil. And some people, craving money, have wandered from the true faith and pierced themselves with many sorrows.” – NLT

This applies to maintaining moral discipline. However, greed is what caused these people to wander from the true faith. Don’t pierce yourself with many sorrows. Don’t be tempted by ill-gotten gains. It simply isn’t worth it.

Monitoring Investments

Ecclesiastes 10:11 – “If a snake bites before you charm it, what’s the use of being a snake charmer?” – NLT

Don’t become careless. What good is learning biblical principles, investment analysis, discipline, advice, etc. if you don’t apply it consistently? You can have all of the natural ability, knowledge, and insight in the world, yet get poor results by becoming careless. Monitor your investments. Set up a strategy and schedule for doing so.

Proverbs 27:23 “Be sure you know the condition of your flocks, give careful attention to your herds” – NIV

Your flocks and *your* herds are assets that you already own. “Be sure” doesn’t sound like a recommendation. If you read it without the inflection of your mother telling you to “Be sure and dress warm”, it sounds more like a command. Continue monitoring your existing investments. Be sure that you do so.

Moral Discipline

Proverbs 13:11 “Dishonest money dwindles away, but whoever gathers money little by little makes it grow.” – NIV

Proverbs 16:8 “Better to have little, with godliness, than to be rich and dishonest.” – NLT

Proverbs 22:16 “A person who gets ahead by oppressing the poor or by showering gifts on the rich will end in poverty” – NLT

Jeremiah 22:13 “Woe to him who builds his palace by unrighteousness, his upper rooms by injustice, making his own people work for nothing, not paying them for their labor.” – NIV

Proverbs 16:11 – “The LORD demands accurate scales and balances; he sets the standards for fairness.” – NLT

Proverbs 20:17 – “Food gained by fraud tastes sweet, but one ends up with a mouth full of gravel.” – NLT

Proverbs 21:6 – “Wealth created by a lying tongue is a vanishing mist and a deadly trap.” – NLT

These are all very straightforward. It’s clear that God is concerned with how his people make profits. He doesn’t want us to use any form of dishonesty in the pursuit of wealth. He wants business owners and managers to treat their employees well. He doesn’t want us to oppress the poor. This may make some people want to steer clear of any “predatory” financial companies, some of which seem to thrive on keeping people in financial bondage. Others may see it differently. The point is that we make an effort to do what we believe is right.

Luke 17:1 “Things that cause people to sin are bound to come, but woe to that person through whom they come.” NIV

If I own a store that sells pornography, for example, things that cause people to sin are coming through me. I don’t see much room for debate on this. Some products and services *always* lead to sin. Other products and services *often* lead to sin. Some products do not cause sin at all. It is from those I am most comfortable taking profits. I believe that I should make a reasonable effort to avoid profits that come from products which cause sin.

Proverbs 1:19 – “Such are the paths of all who go after ill-gotten gain; it takes away the life of those who get it.” - NIV

Proverbs 10:2 – “Ill-gotten treasures have no lasting value, but righteousness delivers from death.” – NIV

These are the two that concern me the most in regard to investing in publicly traded securities. Ill-gotten gains seems to be a broader term than “dishonest money” or gains “by fraud”. The New Living Translation uses the term “tainted wealth”. The English Standard Version uses “treasures gained by wickedness”.

There are publicly traded companies which seem to have questionable ethics in regard to their marketing, treatment of consumers, or treatment of employees. There are others which produce and distribute tobacco products, alcohol, pornography, or “entertainment” that is sinful and destructive. We should not ignore the wisdom given to us in God’s word. We are told in no uncertain terms that “ill-gotten” treasures, at best, will have no lasting value for us. At worst, they take away the life of those who get them. It is quick, easy, and wise to screen for moral issues before making investments. There are some investments that we should simply avoid. However, no company is perfect. Therefore, I believe it is valid to take the approach of shareholder activism, rather than avoidance, to the extent companies and their managers could be influenced in a positive way.

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