



## Values-Based Investing

### Supplemental: Frequently Asked Questions (FAQ's)

#### Survey of Transactions

The most helpful resource when considering the topic of Biblically Responsible Investing (BRI) is a thorough background study or survey of financial transactions found in the scriptures. Since there are no direct biblical references to our modern form of investing, it is prudent to consider the similarities and differences among biblical transaction examples to establish applicable principles for investors. This brief section offers an overview or survey of transactions:

Scripture is clear that believers are to actively do business in their culture, even amidst non-believers, and examples of these situations are numerous. Old Testament era Israel, after taking possession of the Promised Land and permitted to form treaties, was able **lend to**, and do business with many pagan nations.<sup>1</sup> Indeed construction workers and supplies were **acquired** in large part for both David's Palace and the Temple itself from pagan nations renowned for their idolatry, such as Tyre and Sidon.<sup>2</sup>

Most notable in the New Testament were examples of Christ **paying taxes**<sup>3</sup> (despite indirectly supporting wicked regimes) and participating in the **monetary exchange**<sup>4</sup> and economic system of His day. He also **received financial support** for ministry from a variety of people, including Joanna, the wife of Chuza (who was a key financial officer under wicked Herod Antipas).<sup>5</sup> In addition, New Testament believers even had freedom as **consumers** to buy meat sacrificed to pagan idols, from either the marketplace or from the pagan temple priest.<sup>6</sup> Although they purchased meat and did not participate in the pagan temple practices (many of which involved temple prostitutes), they nonetheless provided marketplace support to wicked pagan temples and likely benefitted from **lower consumer prices** due to the large scale of the overall temple operation.

Finally, believers were **employees** of immoral entities. Neither Daniel (with Nebuchadnezzar) nor Obadiah (with Ahab) were compelled to leave the employment of wicked regimes, and interestingly, there are no examples of Christ, Paul, nor any writers mandating separation from employment for moral reasons. Furthermore,

although John the Baptist specifically counseled tax collectors not to extort, and soldiers to be content with their wages<sup>7</sup>, none were instructed to separate from employment. There is simply no evidence this was a focus of any ministry in the biblical accounts.

**Q: "With so much freedom across so many other transactions, would this freedom not also extend to investing?"**

**A1:** The answer has two parts. First, the standard. The rationale for separation follows what I call *the biblical standard for action* where believers are morally responsible for actions *directly* under their control and commanded to avoid transactions that represent direct involvement with immoral enterprises. This is the same standard for Christian citizens with respect to civil disobedience as Christians are to live at peace with others<sup>8</sup>, respect governing authorities<sup>9</sup>, and disobey those authorities only when compelled to sin or directly violate biblical precepts.<sup>10</sup>

The prophet Daniel stands out as one example among many believers who lived-out this biblical standard for action. A devout student of God's word, Daniel understood (whether under captivity or as a free man) he had the moral freedom to practice *indirect* involvement in pagan regimes, including that of King Nebuchadnezzar. He allowed his name to be changed, subjected himself to the pagan education of Babylon, worked for the King in various capacities, and received provision from the King (ch-1)<sup>11</sup>. Yet Daniel disobeyed the King only when directly compelled to deny specific tenets of his faith such as dietary (ch-1), prayer, and worship practices (ch-6).

**A2:** Second, the contract. Investing, by definition, is a contractual association with a company or entity. In a stock transaction, a company offers pro-rata shares of company distributions, which are directly tied to the profits from the overall operations of that business. The investor buys shares and effectively purchases the right to those distributions. Thus investing, even in the case of a minority interest, affords a contractually more direct association with a company than any other transaction.<sup>12</sup>

To illustrate, a hypothetical investment in Johnson & Johnson (JNJ) serves as a commonly known example. The bulk of its business comes from the sale of many personal products we may have in our home such as Q-Tips, baby shampoo, and Pampers diapers, yet the company has a secondary business which profits from the sale of drugs utilized in the abortion industry.<sup>13</sup> Unlike consumers who can differentiate their involvement with JNJ based on the products they

purchase, or unlike the employee who can choose to work in departments producing only morally responsible products, the investor **cannot distinguish** the derivation of his benefit nor disclaim any immoral portion of a distribution.

**Q: “Dave Ramsey’s describes values-based investing as a slippery slope. Do you agree?”**

**A:** In his *Investment Philosophy* ([www.daveramsey.com](http://www.daveramsey.com)), well-known author and radio host Dave Ramsey states that although “aligning your investments with your beliefs is a good concept...and very personal decision...it’s what is known as a slippery slope. If you no longer invest in funds that might invest in a company that supports abortion, to be consistent, you will need to stop shopping at the grocer that sells pornography. You would also need to stop banking because nearly all banks contribute to United Way, which supports Planned Parenthood...Do not choose these funds out of guilt. Do not make poor investment decisions to choose these funds.”

While I agree that it is of vital importance to be morally consistent in our financial dealings, I disagree with the assertion that it is an impossibility in the area of investing. Separating the transactions mentioned by Dave eliminates confusion of the issues. His first transaction refers to shopping at the grocer, and as mentioned in the *Survey of Transactions*, there is no contractual association between the consumer and the proprietor, and the scriptures are clear that believers have freedom to buy moral products despite knowing some of the proceeds could be used for immoral purposes.

Second, he highlights the transaction of banking, or depositing. Also mentioned in the **Survey of Transactions**, participation in the money-changing system was permitted and encouraged. This transaction, like that of tax-paying (which was required), is unique in its sanction from scripture because it is part of the infrastructure of the governing authorities. Currency and monetary systems throughout history have been part of that infrastructure, and believers have been permitted to participate in these systems as opposed to practicing complete financial separation or the utilization of a strictly barter-based system. Indeed Jesus modeled this practice. Furthermore, although the role of the depositor is modestly similar to that of an investor, there are two key differences. First, the *purpose* of the depositor is contractually very different than that of the investor and second, depositors generally have little or no *knowledge* regarding how their funds are invested or loaned out by the bank, whereas investors make distinct selections regarding the source(s) of income they receive. Thus, for the depositor, any association with any wrongdoing is clearly indirect and not a violation.

**Q: “What about buying bonds or lending? Your Survey of Transactions notes that Israel had the freedom to lend to the pagan nations around them, so doesn’t this passage afford freedom for believers to invest or lend to immoral entities?”**

**A:** This is a very interesting passage, and on the surface appears to provide a freedom for believers to at least invest in bonds (loans) from immoral entities. However, a closer look reveals two important details. The context of this passage refers to Israel being self-sufficient because God would bless their obedience, and their strength would enable them to stand in the gap for other nations without reciprocating any borrowing relationship. Indeed the tone of this passage more likely indicated a form of a private transaction, possibly without strict terms for repayment. Thus the passage does not provide a *clear* example for freedom to invest in pagan/immoral entities, nor does it overturn other principles highlighted in this essay.

**Q: “What about the passage warning believers not to be unequally yoked<sup>14</sup>? Does this apply to investors?”**

**A:** Although this passage is much more about co-workers in a spiritual endeavor, the principle can apply when considering a business venture. As stated above, investors are contractually associated with a company, but they are not necessarily yoked. Christian author and Bible teacher, the late Larry Burkett, provided a helpful clarification of this application in his book, *Business by the Book*:

*‘To determine if owing stock in a company constitutes a yoke is not a simple as it would first appear. Obviously, if someone buys a few shares of IBM or GE, that person is not yoked together with those companies; he or she is purchasing only the right to an equitable distribution of dividends and a minority vote in company policies.*

*But what about a corporation owned by two people, with each holding ‘equal shares.’ Is that a yoke or not? If the intent is to create an equal sharing arrangement, it is a partnership, just as certainly as if the term partnership were used.*

*The simple solution to an ‘unequal yoke’ in such an arrangement is to...go to the other partner and ask if he or she would be willing to accept some of your stock so that the line of authority will be clearly defined.’*

**Q: “How do the passages from Romans 14 apply to investors?”**

*<sup>13</sup> Therefore let us not pass judgment on one another any longer, but rather decide never to put a stumbling block or hindrance in the way of a brother. <sup>14</sup> I know and am persuaded in the Lord Jesus that nothing is unclean in itself,*

but it is unclean for anyone who thinks it unclean. <sup>15</sup> For if your brother is grieved by what you eat, you are no longer walking in love. By what you eat, do not destroy the one for whom Christ died.” - Romans 14:13-15

**A:** These passages do not apply to the field of investing because they address freedoms believers possess with respect to non-moral, religious ceremonies such as the observance of special diets and special days. The scripture is clear that food, drink, and days are non-moral in themselves, and are *external* to the person and very different from practices of right or wrong-doing which emanate *from* the individual or entity.

“And he (Jesus) said to them, “Then are you also without understanding? Do you not see that whatever goes into a person from outside cannot defile him, <sup>19</sup> since it enters not his heart but his stomach, and is expelled?”<sup>18</sup> (Thus he declared all foods clean.) <sup>20</sup> And he said, “What comes out of a person is what defiles him. <sup>21</sup> For from within, out of the heart of man, come evil thoughts, sexual immorality, theft, murder, adultery, <sup>22</sup> coveting, wickedness, deceit, sensuality, envy, slander, pride, foolishness. <sup>23</sup> All these evil things come from within, and they defile a person.” - Mark 7: 18-23

As stated above, investing is far from a non-moral practice because shareholders are contractually associated and directly profit from the right or wrong-doing of the issuing company. Thus in summary, these passages do not apply to the field of investing and indeed are often misapplied when investing is treated as a non-moral endeavor and believers exercise misguided freedom and invest in immoral businesses.

**Q: “What is your practice regarding shareholder activism?”**

**A:** Some argue that the *mandate* for believers is to ‘win back the culture’ for Christ and affect company policy through shareholder control. However, scripture is clear that Christ’s message was to the individual, not the culture, and that changed hearts could affect societal change. Christ promised His eventual return and reign over the culture, yet in the meantime gave believers the ministry of reconciliation and the great commission for making disciples of all nations. Therefore, the goal of activism is more about persuading companies toward valuing others and reconciliation to God than about behavior modification by the offending company. Importantly, this is to be done with love and respect.<sup>15</sup>

These efforts are best accomplished through personal relationships, yet other methods such as correspondence and corporate resolution work are also appropriate. When no progress toward reconciliation occurs and impasse is apparent, historically, the cessation of investing has proven most successful in such landmark reversals as the abolition of the slave trade in the

Western world, and the revocation of the Apartheid system in South Africa.

**Q: “What is the greatest opportunity for BRI?”**

**A:** The biblically responsible investor has the opportunity to be exemplary in knowledge and conduct when questioned about the moral consistency of their investments<sup>16</sup>. The need for this was vividly displayed in 2014 when Hobby Lobby, an outstanding privately held company founded by devout Christians David and Barbara Green, filed (and subsequently won) its case against Obamacare’s contraception mandate, yet were reported to have investments in the company 401(k) of over \$73 million in mutual funds with stakes in contraception makers. The company did not respond to questions about the investments or whether changes were made to the plan funds<sup>17</sup>.

While I offer no opinion regarding the merits of their response and have every reason to affirm the reputed integrity of the Greens and company management, this situation highlights the need, *and opportunity* for believers to articulate a strong understanding of biblically responsible investing.

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- Bible passages are taken from the English Standard Version (ESV)

<sup>1</sup> Deuteronomy 15:6

<sup>2</sup> 2 Samuel 5:11

<sup>3</sup> Matthew 22:21

<sup>4</sup> Matthew 25:26

<sup>5</sup> Luke 8:3

<sup>6</sup> 1 Corinthians 8:10-11

<sup>7</sup> Luke 3:12-14

<sup>8</sup> Romans 12:18

<sup>9</sup> Romans 13:1

<sup>10</sup> “So we believe that civil disobedience is justified only when government compels us to sin, or when there is no legal recourse for fighting injustice.” - John MacArthur ‘Can Christians Participate in Civil Disobedience?’ Code A120, Grace to You ([www.gty.org](http://www.gty.org))

<sup>11</sup> Daniel 1

<sup>12</sup> Indeed this was demonstrated by the 2011 *High Class NY* case in which owners, including silent investors, of an escort service based in Brooklyn were indicted on over 100 counts of criminal activity including enterprise promotion of prostitution. - “7 million prostitution ring busted in New York City...” Chris Boyette, CNN 7-10-11.

<sup>13</sup> Per research from the Biblically Responsible Investing Institute, [www.briinstitute.com](http://www.briinstitute.com). <sup>14</sup> 2 Corinthians 6: 14-15 “Do not be yoked together with unbelievers. For what do righteousness and wickedness have in common? Or what fellowship can light have with darkness?”

<sup>15</sup> Romans 13:7

<sup>16</sup> 2 Timothy 2: 15

<sup>17</sup> “Hobby Lobby’s Hypocrisy: The Company’s Retirement Plan Invests in Contraception Manufacturers.” Molly Redden, *Mother Jones*, April 1, 2014