

Why Faith-Based Money Management?



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Introduction

As a faith-based asset manager, Crossmark is committed to providing values-based investments to equip people with the means to put their values into action. While values-based investments are a central focus of our business, we do offer a wide variety of screened and unscreened investment solutions for all financial advisors and clients to help reach their financial goals. This white paper was first written in 2022 to highlight some of the developments in and rationale for values-based investing. It is not intended to provide a recipe, but instead outlines principles, attitudes, opportunities, and perspectives surrounding values-based investing. This updated version of the 2022 paper is intended to offer more insights to help people of faith who want to align their investments with their values.

Definition

The Bible provides overwhelming and comprehensive amounts of wisdom and instruction for Christians on both a theological and a practical level for investing. In some sense, for the Christian, investing (like the rest of life) is a matter of holiness.

A definition of faith-based (or biblically responsible) investing taken from the Christian Investment Forum is as follows: “An investment decision-making process that applies Christian values to issues facing shareholders and stakeholders regarding moral and social principles. This [process], coupled with traditional financial analysis, provides a platform for investment decisions that allow us to be faithful stewards of God’s gifts and respect the foundational beliefs of our shared Christian faith.”

Many terms are used to describe this type of investing. Depending on the investment product’s focus, these labels include faith-based, mission-related, ethical, impact, biblically responsible, sustainable, and community investing. The meaning of these terms often overlaps but may resonate differently for specific investor demographics.

Values-Based

If you count Jesus’ words in your red-letter New Testament, you will find He has more to say about money and possessions than about heaven and hell combined. Why is that? It’s because He knows that our attitude toward money – how we earn it, invest it, spend it, and give it away – says a lot about our hearts and our faith. Stated simply, money and faith are interrelated.

Proverbs 16:8 states, “Better is a little with righteousness than great revenues with injustice.” Is it possible that God cares more about how we make and invest money than how much money we have? There is nothing wrong with earning lots of money or having high investment returns, but it must not come at the expense of righteousness/holiness. Therefore, it is imperative that faith-based investors consider the moral implications of their investments. We cannot ignore this issue if we are to be followers of God’s Word.

Christians are investing billions of dollars intentionally to support God’s principles for His glory. The opportunity and privilege (and imperative) we have to align our investments with biblical values is an important part of aligning our entire lives with our values. The growing demand for products that accomplish this purpose, as well as the increasing number of available investment vehicles in which to invest, underscores this trend. Aligning our money practices with biblical values is for God’s glory and our joy.

By the way, you don’t have to be a Christian to want to invest your money in companies that make the world a better place. But Christians and Jews have additional insight through the Scriptures that all our money (and our time, bodies, relationships, and influence) belongs to God.

Values-Based

Most (all?) of us one day want to hear God say, “Well done, good and faithful servant” (Matthew 25:23). Here is a list of questions posed by Rachel McDonough in Chapter 7 (“The Stewardship of Faith-Based Investing”) of “Investing and Faith,” edited by Steve French. These are worth contemplating:

- Do my financial decisions and habits reflect the values and the cultures of heaven?
- Has His kingdom, the domain in which He alone is King, expanded into every corner of my personal financial affairs?
- Would I hesitate if Jesus walked into my office and asked to look at my checkbook register or a list of my stock holdings?
- Is there any part of my financial life that is not surrendered to His will?
- Do I trust Him alone to be my provider? Or am I making compromises in my obedience to increase my net worth?
- Am I using His money to build His kingdom or my own?

Randy Alcorn states: “I believe the most dangerous misconception is the idea our money and possessions belong to us, not God.” Scripture repeatedly emphasizes God’s ownership of everything: “To the Lord your God belong the heavens, even the highest heavens, the earth and everything in it” (Deuteronomy 10:14). More than 2,300 verses in the Bible mention money – more than any other topic, so God cares deeply about what we do with money.

Avoid

Avoid: Often, values-based investing is misunderstood as simply a financial boycott designed to punish “evil” companies. It is instead a heart of worship that desires to glorify God. We don’t want to create another screened investment offering that simply “kicks out the bad guys” and invests in what is left over. We want an objective, rules-based, repeatable methodology to identify the most inspiring, biblically aligned companies in which to invest. At Crossmark, we have established objective criteria and rank companies in our investment universe based on values screens (just like we rank those companies on “secular” criteria).

Biblically responsible investors seek to endorse companies that are acting in alignment with biblical values and more closely express God’s heart toward His creation. These companies are a blessing to their customers, communities, workforce, and the world. They are creating inspiring, beneficial products and services that add value to the lives of their customers. They are operating with high levels of integrity throughout their operations. They are involved in giving back to the communities in which they operate, and they provide their employees with an outstanding workplace experience.

In the world of faith-based investing, striving for perfection can prevent us from making decisions that will positively impact the kingdom. Advisors are taking more responsibility for really understanding the screens and focusing on the heart of what we want to achieve rather than taking a legalistic approach. We believe that advisors waiting for the perfect faith-based investing portfolio to come along will miss out on some great opportunities to help our clients apply faith-based screening to their investments. There simply are no perfect funds, and there are many areas of life in which we must take the best course of action, even if the outcome is less than perfect.

Embrace

Embrace: Over the last few years, there has been a fresh movement in the faith-based investing space focused on positive screening. This concept was popularized by Eventide Asset Management and its “Business 360 Approach” to evaluating companies. They not only look at the fundamentals of the companies in which they invest, but also at how the companies treat all stakeholders involved – including customers, employees, vendors, and the communities they serve. This focus on the positive has been an exciting development in the faith-based investing space.

When building a portfolio, advisors should look at the fundamentals, including reasonable fees; risk/return characteristics of the investment strategy/product such as alpha, beta, and Sharpe ratios; and, of course, proper diversification so the portfolio performs well in a variety of market and economic environments. It’s important to emphasize that these criteria should not be abandoned. The good news is that several research studies show that when companies are excluded from a portfolio for values-alignment, the portfolio’s performance is not statistically different from that of a non-screened portfolio.

Engage

Engage: Another important aspect of a comprehensive approach to faith-based investing is for investors to engage companies through shareholder activism. This is perhaps one of the most exciting parts of being a biblically responsible investor. The simplest form of engaging a company is to find the investor relations page on its website and email or call the investor relations personnel regarding whatever issue you want to discuss. Actively engaging in the proxy process is another supportive approach to influencing companies. Shareholder advocacy takes several forms but is most effective when engaged shareholders communicate with company management teams on challenges that, if solved, are in the long-term interests of all shareholders.



Observations

1. You don't have to be a Christian to want to invest your money in companies that make the world a better place. (But Christians have additional insights through Scripture that all our money is God's money.)
2. Jesus had more to say about money and possessions than about heaven and hell combined – it must be important.
3. Motivations for faith-based investing include: 1) love for God, 2) love for others, 3) desire to be obedient to God's word, and 4) be good stewards. "Well done, good and faithful servant."
4. Empirical evidence exists that there is no performance given up. (There is no financial sacrifice.)
5. Focusing on the positive has been an exciting development in faith-based investing.
6. Faith-based investing is not in conflict with being a proper fiduciary. (In fact, it is a sacred responsibility to invest as working for the Lord (Corinthians 3:23), same thing with the use of our time, our bodies, our relationships, our talents.)
7. Warning: Focus on the heart issues, don't take a legalistic approach.
8. Warning: Striving for perfection can prevent us from making good decisions.
9. Test: If Jesus came to visit you and said: "Let me take a look at your investments," how would you feel?
10. Information, education, and challenge are needed for faith-based investing to realize its potential. (Just Christian dollars invested is more than 100 times what is currently managed in this segment.)



Conclusion

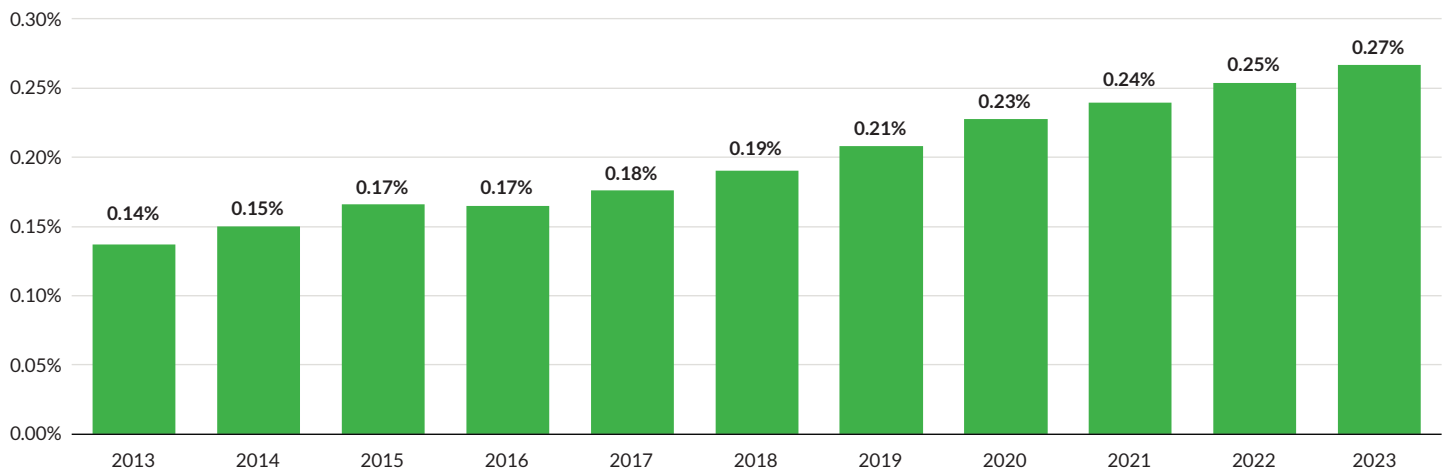
Many Christian financial advisors rightly picture faith-based investing as a way to please the Lord but wrongly assume that it involves financial sacrifice. It is important to point out that just because you put biblical values first does not mean that you must sacrifice returns. Research by Wharton School of Business, Oxford University, Biola University, and many other leading institutions has concluded that employing values-based screening like biblically responsible investing does not negatively affect performance. Some report findings that screening actually can help improve performance.

Christianity is not a way of doing certain things – it is a way of doing all things. The Christian investor must seriously consider whether there is a return high enough, or fee low enough, that would entice them to abandon God’s call to biblically responsible investing. If you decide to go down the path of biblically responsible investing, you may meet resistance. There will be those who roll their eyes at you. There is indeed a spiritual battle being waged every moment of every day, and there is a spiritual battle being waged over your heart and your treasure, for “Where your treasure is, there your heart will be also” (Matthew 6:21).

Advisors manage approximately \$50 trillion dollars on behalf of clients. Ten percent of that, or \$5 trillion, is stewarded by families of faith. Yet less than \$50 billion of that is invested in a way that aligns with what those faith-based families say they believe. That means less than 1% of all money stewarded by families of faith is aligned with what they believe. Common impediments are that many people are unaware, aren’t sure how to do it, and are concerned they’ll have to sacrifice return. It’s encouraging to witness all the positive changes happening in the faith-based investing space. Kingdom Advisors, the premier trade organization for Christian financial professionals, plays a significant role in this pursuit.

Prediction 8 in our Annual 10 Predictions states that we expect the faith-based share of industry AUM to rise for the eighth year in a row, obviously from a very small base.

Faith-based market share (percentage of total industry AUM)



Sources: Morningstar and Crossmark as of Dec. 31, 2023

Opportunity

So, what is our motivation for faith-based investing? Among the primary motivations is our love for God, our love for others, our desire to be obedient to God's Word, and our desire to be good stewards of the resources God entrusted to us. Psalm 24:1 states, "The earth is the Lord's, and everything in it." That means that every asset on every balance sheet legally and irrevocably belongs to Him. This is a spiritual reality that supersedes the laws of man.

Harry Pearson of OneAscent states: "The current amount of investment directed through faith-based investing is tiny in comparison to the overall investment market. Even more significant, the potential market for Christian faith-based investment is many times greater than the current market. This large opportunity can only be targeted by providing information and education to change the attitudes and behaviors of advisors and investors."

One day we will all stand before our Lord and account for what we have done with all He has given us during our time on earth. I want to hear, "Well done, good and faithful servant. Enter into the joy of your Master" regarding every part of my life, including how I managed God's investments.

What about you?



About Crossmark Global Investments

Crossmark Global Investments is a faith-based firm that creates and manages values-based investment strategies for financial intermediaries and their clients. Founded over 35 years ago, the firm has a rich history of inspiring and equipping its clients to go further in aligning their investments with their values. Crossmark is based in Houston, Texas. For more information, visit crossmarkglobal.com.

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