THE STEWPOT

A POTPOURRI OF PRACTICAL IDEAS TO HELP YOU BECOME A BETTER STEWARD

July/August 2024 • Volume 1 • Issue 4

Should we invest?

By Scot Coppock

Should Christians invest their money? Absolutely! The parable of the talents in Matthew 25:14-30 encourages us to invest. Those who choose not to invest or make the best use of the resources available to them will, like the servant who hid his talent in the ground, be cast into darkness.

But wait a minute, isn't this parable about singing, hammering a nail, or generally living our lives for God? Well, yes, the parable certainly can be applied (and often is) toward using our talents for God. But consider that a talent in the ancient world was literally a form of currency, roughly equivalent to 6,000 days' wages. Consequently, each servant received, according to their abilities, 20, 40, and 100 years' worth of earnings (we are talking millions of dollars here). Obviously, the master expected his money to be used wisely.

If we believe that everything we have comes from God and we should use His resources to glorify Him, it only makes sense that God expects His money managed in the best possible way. We are called to invest for Him! This means putting His money to work, in partnership with Him, just as the servants in the parable did for their master.

STEWARDSHIP IS REVOLUTIONARY GENEROSITY. IT INVOLVES THE 7 T'S: TIME, TEMPLE, TALENT, TREASURE, TRUST IN GOD, THEOLOGY, AND TESTIMONY.

By investing in multiple companies or, better yet, multiple sectors of the economy (such as energy, health care, information technology, and real estate), you can spread out your risk and recover more quickly if one company, or sector, has a bad year.

7. Take Advantage of Compound Interest.

A Chinese proverb says, "The best time to plant a tree was 20 years ago; the second-best time is now." While this proverb certainly applies to better homes and gardens, because of the blessings of compound interest, it also applies to investing. A 20-year-old investing $200 a month at an 8 percent rate of return will have $933,997 when they retire at age 65. If they wait only 10 years, and start saving at age 30, they will have only $416,517—about half the amount—when they retire. The difference maker is time. When it comes to investing, the sooner you start, the better off you will be. But no matter how old you are, it's not too late to start investing today.

CONCLUSION

By balancing the functions of money, having a firm financial foundation, and applying sound investment principles, we form a stronger partnership with God. Ellen White said, "You have nothing to fear; invest your means where it will be doing good; scatter rays of light to the darkest parts of the world.... Christ has given all for you; what will you give for Him? He asks your heart; give it to Him, it is His own. He asks your intellect; give it to Him, it is His own. He asks your money; give it to Him, it is His own" (Testimonies for the Church, Vol. 4, p.596). Let's invest our finances for God as the wise servants did, and, in so doing, strengthen our relationship in Him from whom all blessings flow!

ABOUT THE AUTHOR

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FUNCTIONS OF MONEY

Still not convinced of the importance of investing? Consider this: money essentially has three functions. It can provide for our immediate needs, be saved for the future, and/or be given away. We should strive for balance in all three functions. We should work to provide for our immediate needs and be satisfied when our needs are met. We should save for the future without hoarding our wealth. We should be generous without leaving ourselves destitute.

Investing can aid in two of these functions. First, it enhances savings by putting money to work while saving it (as opposed to letting it lie dormant while losing purchasing power because of inflation). Second, it generates more money that can be given away to bless others!

FOUNDATION FOR INVESTING

Like the wise man who built his house upon the rock, we should ensure our finances are on solid ground before investing. Start by seeking God's guidance, prayerfully submitting to His will, and asking Him to guide you in all your financial decisions. Then make a budget you can live within. Finally, be debt-free as much as possible, and have some savings that can be accessed quickly for emergencies. If you are living beyond your means, taking on debt, and have no emergency fund, then your first investment should be to get your financial house in order.

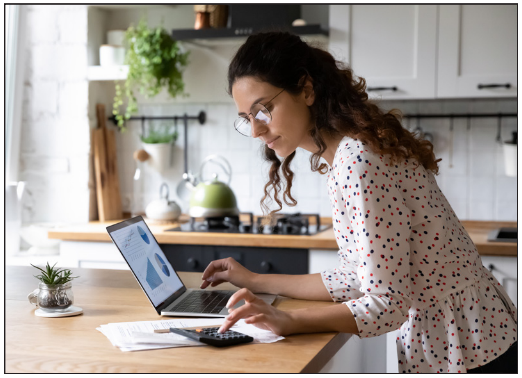
PRINCIPLES FOR INVESTING

With a firm financial foundation in place, there are some universal principles to keep in mind as you start to invest.

1. Have Value-driven Investments.

We should be mindful of where we invest our money. Many organizations, such as the General Conference of Seventh-day Adventists, screen out from their investment portfolio companies promoting tobacco, alcohol, gambling, and pornography—the so-called sin stocks. Praise the Lord, the rate of return is not adversely affected.

2. Understand Your Investments.



There are many kinds of investments and just as many ways investments can make or lose money. Before investing, understand the risk-to-reward ratio. Know how it can increase in value or make a profit, and know the costs involved (will they eat up all your gains?). Never invest in anything you do not understand.

3. Know Your Time Horizon.

Whatever your reason for investing, whether it's for retirement, a child's education, or some big purchase, have a clear understanding of your time horizon. However long you have, pick investments that fit within your time frame, and stay the course. If you won't retire for another 20 years, don't get nervous and pull your money out because the investment has a bad day. There will be many ups and downs with such a long time horizon, so you should be prepared to weather several storms.

4. Expect a Reasonable Rate of Return.

Investing is not a get-rich-quick scheme, so there should not be an expectation of doubling or tripling your investment overnight. An example of a reasonable rate of return is inflation plus 3 to 5 percent. A reasonable expectation enables you to keep an investment portfolio mix that outpaces inflation while avoiding unnecessary or speculative risks that could wipe out your investments.

Investing is not a get-rich-quick scheme.

5. Balance Risk Accordingly.

There is no such thing as a risk-free investment. Even a federally insured savings account faces inflation risk—the real possibility of losing purchasing power over time. Know the risks of your investment and make sure it aligns with your risk tolerance, time horizon, and expected rate of return.

6. Diversify Your Investments.

Just as it's unwise to carry all your eggs to market in one basket, it is also foolish to invest all your money in one company.