



*For distribution without obligation*

Copyright ©1999 Mulberry Press Inc. All rights reserved worldwide. One-time reproductions and excerpts are encouraged without permission, provided that acknowledgement is made and a copy sent to: *Mulberry Press Inc., P.O. Box 2609, Station R, Kelowna, BC, V1X 6A7 Canada.*

If not otherwise noted, all scripture references are taken from the New International Version (NIV) of the Bible.

[www.eternalvalue.com](http://www.eternalvalue.com)

**Contact us at:**

Mulberry Press Inc.  
PO Box 2609, Station R  
Kelowna BC  
V1X 6A7 Canada  
[www.eternalvalue.com](http://www.eternalvalue.com)

## **Preying on the Flock: How to avoid getting fleeced**

*Wilfred J. Hahn*

**C**hristians sometimes get bust because they trust, not in God, but in Christian promoters of financial gain. It is alarming how often believers get fleeced by others purporting to be of the same flock. Time and again, reports surface of large financial scams that have bilked Christian institutions and individuals out of millions of dollars. It is important that you be aware of this danger.

According to the North American Securities Administrators Association (NASAA) and the Council of Better Business Bureaus (CBBB), many swindlers specifically play upon religious beliefs in order to gain the trust, confidence and life savings of the faithful. Why? It seems that once an investment opportunity is either identified as Christian or offered by a Christian, critical safeguards and logic are cast aside. Too often, gullibility sets in. That means vulnerability and opportunity to the swindler.

### **Swindling Always a Concern**

Fraudulent schemes have existed since the dawn of time. Perhaps the most infamous swindler of all

### *Preying on the Faithful:*

time was Carlo Ponzi,<sup>1</sup> for whom the phrase “Ponzi scheme” or “Ponzi finance” has become a household word. In Boston during the 1920s he devised a type of chain letter for which purchasers were guaranteed 50% profit in forty-five days. Money was paid out to the early buyers from the proceeds of the incoming investments of the late buyers. The ruse worked fine so long as there were more new investors paying in than those cashing out. The system collapsed when the late buyers began to suspect that they might not get their money back. By that time, the swindler and some of the initial investors had taken their money and ran. There have been thousands of “Ponzi schemes” since. In recent years, high profile cases have even hit the Christian world.

The New Era scandal in 1996 is a prime example. John G. Bennett, Jr., founder of the Foundation for New Era Philanthropy, was indicted in 1996 for defrauding hundreds of churches, charities and colleges of \$135 million. In classic Ponzi style, New Era promised to double investments in six months through the generosity of a group of anonymous, wealthy (non-existent) philanthropists. When it collapsed into bankruptcy proceedings in May 1995, it resulted in one of the biggest scandals of all time.

No one, it appeared, was immune. The Wall Street Journal (September 30, 1996) reported the following:

*“New Era’s lengthy list of participants included the American Red Cross, United Way, the Salvation Army and the University of Pennsylvania. In addition, scores of well-known philanthropists and Wall Street money managers, including Laurence S. Rockefeller and former U.S. Treasury Secretary William E. Simon, sent New Era millions.”*

Included among the victims was David Mainse, director of Chapel Ministries, best known for producing the “You Need to Know” Christian television show. The June 20, 1995 issue of the Wall Street Journal mentions that the Market Street Mission in Morristown,

### *How to avoid getting fleeced.*

NJ, spent its expected payout before it was received.

It is apparent that not only vulnerable little old ladies fall prey to these scams. Promising incredible returns on each investment dollar, con-artists are able to hook trusting investors of all kinds. Besides Ponzi schemes, there are many other types of swindles too numerous to document. Suffice it to say that fraudulent schemes of any kind seem to be much more successful if they are connected with religion in some way or another. Con-artists therefore deliberately prey on this association.

### **Investment Advisor Alert**

In recent decades, the business of Christian investment and financial counseling has become a large industry. Though the vast majority of its practitioners are sincere and honorable, there are more than a few who erroneously think that “*godliness is a means to financial gain.*” (1 Timothy 6:5) The practices of some of them are highly questionable. Advertising particularly can be very misleading, especially as it may identify services as Christian or scripturally-founded. While it is encouraging that many financial professionals would want to identify themselves as Christians, too often their services prey on the faithful.

The promotions of some wealth management companies that claim a Christian connection have little to do with Biblical principles but rather tend to cater to a desire for easy investment gains. That is hardly different from the focus of much of the secular financial services industry. If that is so, then what is the edge in having a Christian advisor? Are Christians able to forecast the course of worldly financial markets better than supposed non-believers? Are they more knowledgeable about world financial and monetary systems? Such claims or advantages have not been observed to be true. Often, the financial perspectives promoted actually betray a serious lack of knowledge of worldly conditions — economic and financial facts, for example — not to mention heavenly perspectives.

There are many types of kinds of wealth

### *Preying on the Faithful:*

management professionals. It is useful to understand the differences. Some only offer family financial planning services. Generally, these agencies or organizations provide advice for a fixed fee or without charge. Normally, they would not sell investment products such as mutual funds, for example. Some of them are charitable organizations such as Crown Financial Ministries and others. These agencies teach financial discipline and stewardship skills. Most are excellent. Other financial service providers, such as financial planners or investment brokers, will also provide advice. However, in their case, they will be remunerated in the form of a sales commission. If nothing is sold, their advice will have been free. As such, their vested interest is to sell securities, mutual funds and other services, and not necessarily to provide balanced advice. Having said that, there do exist competent sales people who do not allow sales incentives to cloud their advice. Not all apples in the bushel are bad. However, there is enough malpractice to deserve alarm.

Why is this article generally critical of the Christian community when it comes to financial and investment services? For two reasons mainly. Firstly, if anything, higher standards of professionalism and knowledge should apply in the case of financial service providers who distinguish themselves as “Christian.” In practice, too often the opposite seems to be true. Religious association provides a cover and opportunity for laxity and subpar service.

Secondly, more than a few financial advisors who distinguish themselves as Christian imply that their services are different from those found elsewhere in the secular world. So they should be. Yet usually, they are not. Why? Because in promoting their abilities to pursue financial gain, they often incorporate the very same practices and world perspectives of non-Christian firms. Some advisors even go so far as to imply that they offer “spirit-led” advice or some other type of mystical advantage, implying that this will be evident in the form of above-average investment returns.

### *How to avoid getting fleeced.*

While all Christians should indeed be “Spirit-led” there is absolutely no evidence that this is a sure course to riches. As a rule, it is prudent to steer away from advisors making this claim. Their theology is questionable. More often than not, these individuals may be confusing “market sense” with the leading of a “spirit.” (*For an in-depth perspectives on this topic, please ask for the booklet entitled Spirit-led Investing: Spurious or Inspired? It is available free through Hahn Investments Stewards & Company.*)

### **How to Keep From Getting Fleeced**

Some things should be taken on faith. However, as a point of principle, proposals requiring you to part with your money should never be based on faith but upon reason and hard analysis. If it sounds too good to be true, it likely is. It is disconcerting that consumers will spend days researching a simple consumer product in order to save a few dollars, yet commit thousands to dubious investment schemes with little examination.

What are the signs and symptoms of investment schemes, and how can the faithful avoid being lured?

- **Avoid putting full faith in a financial advisor of any kind** — Christian or otherwise. Check things out for yourself and take the time to gain knowledge in the field of finance and investments.
- **Test your own motivation in considering an investment.** Is greed, a desire for quick gain, visions of ease, leisure and luxury spurring your decision? If so, beware. Those are precisely the emotions that unscrupulous investment promoters will prey upon.
- **Be cautious if the promoter of an investment opportunity tries to capitalize on connections or a leadership position within a religious group.** Don’t be swayed by glib talk about “highly placed friends.” As always, check out any and all claims. Exercise the same caution

*Preying on the Faithful:*

and skepticism that you would with any other investment or purchase — with or without religious connections.

- **Be on your guard for a *new* member of your church who springs up out of nowhere with a “surefire” investment scheme.** Some con-artists will worm their way into religious circles, as churches are great places to make contacts — and all too frequently, unassuming and gullible ones. Find out who you are dealing with and check out their background. **Also, always look closely at investments promoted to you by church members.** Keep in mind that one of the con-artist’s most persuasive tools will be the testimony of your friends and fellow believers. These people unwittingly may act as “song birds” for the swindler’s scheme.
- **Don’t make exceptions because of religiously implied honesty.** If you are approached by a wealth management professional that identifies themselves as Christian, hold him or her to the same standards you would anyone else from whom you would seek investment advice (*Hahn Investment Stewards & Co. representatives included!*) I have yet to find any evidence that people with religious connections are better investors or more successful advisors as measured by worldly standards. After all, financial investments are in the realm of the material world. If so, why should Christians be more adept at beating the odds in godless investment markets than non-Christians? Investing is a skill that is distributed in the same way as “*He causes his sun to rise on the evil and the good, and sends rain on the righteous and the unrighteous.*” (Matthew 5:45)
- **Ignore claims that religiously-based investments are unregulated.** Virtually *all* investment opportunities, including church-issued bonds, come under the scope of state and

*How to avoid getting fleeced.*

federal securities or commodities laws. Any claim to the contrary by a promoter is a clear indication that you are dealing with someone who is either grossly misinformed or a con-artist.

- **Check out the promoter and the investment opportunity.** Don’t suspend doubt about an investment just because the promoter has made some claims about church connections. All promoters and investors should be checked out thoroughly before money changes hands. Contact your state securities agency to find out if the promoter and investment are properly registered in your state.
- **What should you do if you discover a “wolf in sheep’s clothing”?** Don’t give a break to any one who you discover to be a swindler, especially those who hide behind a facade of religious credibility. Exposure is called for, particularly when you suspect that many people may be involved or snared. But when this individual is confronted, watch for such counter tactics as pleading for “Christian forgiveness” or warnings of possible disrepute to the church and the greater faith if the scam is exposed. Yes, Christians are commanded to forgive. However, forgiveness without repentance, rehabilitation and restitution is not a sure way to protect the faithful from being preyed upon in the future (either by the same promoter or others.)

If you suspect that you have been approached with a fraudulent investment scheme or promoter, report them to your state securities agency.

---

<sup>1</sup> Manias, Panics, and Crashes : A History of Financial Crises, Charles P. Kindleberger, Basic Books, Inc. New York, p. 86.

**FOR MORE INFORMATION**

The securities administrator in your state, province or territory is responsible for the protection of investors. If you have any questions about investments, call NASAA (North American Securities Administrators Association, Inc.) at (202) 737-0900 for your state securities administrator.

The Council of Better Business Bureaus (BBB) of the U.S. and Canada answer inquiries on companies located in areas they serve. Before investing your money with anyone with whom you are not familiar, it is a good idea to contact your local BBB for a reliability report on the company you intend to deal with.