

MoneyMatters Column #11

Sound investment requires humility and reason. “Bald speculation” has no part in godly stewardship.

Wilfred J. Hahn

An acquaintance engaged me in a conversation about financial markets trends as he does every so often. I wonder why he searches me out since we usually reach an impasse in our conversations. He rarely agrees with any of my perspectives. As a novice investor heavily engaged in day-trading, he was sure that he has found a quick and easy way to riches. Apparently, he didn't suffer any great losses as did the vast majority of hapless stock market speculators. While I was glad for him that this was the case, I remained concerned that he may suffer the same fate eventually. Yet, blinded by an obsession with quick profits, he refuses to heed any cautionary comments I might make. And now, heady with his modest success, he has an outsized confidence in his ability to buy and sell stocks. To him, every other approach to stewardship is boring.

The major point of disagreement I have with this person has to do with the difference between speculation and investment. Confused, he believes they are one and the same. They are not. It is important for Christians to ponder the difference. Why? In my view, bald speculation finds no part in a godly stewardship. Simply engaging the laws of chance without any logical reasoning doesn't fit. Rather, the fruits of our labors and God's provision should be under our purposeful direction, not subjected to the caprices and vagaries of godless, immoral financial markets. If so, then what is speculation? There is no “one-size-fits-all” answer.

Yet, most people would have no trouble defining the meaning of speculation. Common definitions include these: “*an opinion based on incomplete information or evidence*”; or, “*...a financial transaction that involves risk.*” The key words to focus on are “*evidence*” and “*risk.*” They are subjective concepts, not applying in the same way to all people and every investment situation. What may be a speculation to one person could conceivably be a rational investment to someone else.

I asked the individual I introduced earlier, “*Tell me, what reasoning do you use?*” His reply revealed that there wasn't any. There was no appeal to any truth or bedrock value. Stocks went up and down, driven by rumors and random market action. He was simply good at getting in and out, he said. The “*evidence*” driving his decisions were either non-existent or nonsense. It was really no different than playing roulette in Las Vegas.

What about risk? We face it in our lives in many places whether walking up ladders, climbing into cars or investing. But when is risk-taking inappropriate? Again, there is no hard and fast rule that can apply to everyone. Is an inordinate desire for a quick and easy gain driving the decision to make an investment? Would the consequences of an investment gone sour place an onerous financial burden on one's family or financial stability? An affirmative answer to these questions suggests that true stewardship isn't being practiced.

Christian stewards, whether they are financial investors or not, show a characteristic of humility. There is a rational process at work, their minds engaged, seeking knowledge and finding good stores of value. They show a similar attitude of care with their savings as with other important decisions — the purchase of an automobile, or choosing their spouses, careers, or churches. They look for as much evident truth as possible as they work out their faith and decisions of daily life. No idolatries or lusts cloud the decision. Though there still might be unknowns or risks, they are measured and reasoned. The lives of these individuals are not unduly ruled by the gods of chance.

Does that mean that day-trading is bad? If you like to day-trade with a little bit of play money, you may so choose.. Can you make money speculating in the stock market or can you win the lottery? Yes, very definitely. But these activities are not stewardship nor investment. At best, they are entertainment.

Originally published in Christian Week, April 2001.

Wilfred J. Hahn is senior partner with *Hahn Investment Stewards & Company Inc.* a global portfolio management firm. Contact him by email: mullpress@aol.com.

For more perspectives and resources on world economic and financial trends of interest to Christians, visit his website www.eternalvalue.com and subscribe to the free newsletter *Eternal Value Review: World Review and Market Monitor*.

Copyright © 2000 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 903 Smithville, Ontario, Canada, L0R 2A0. <http://www.eternalvalue.com/>

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