Socially and Biblically Responsible Investing

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Abstract

The practice of socially responsible investing (SRI) has grown over the last century. A variation of this practice known as biblically responsible investing (BRI) has accompanied part of this growth. The introduction of non-financial criteria into the investment process has the potential to put an advisor's counsel in opposition to the primary goal of investing, namely, to gain a return on one's investment (William, 2009). This paper contains an overview of socially and biblically responsible investing, and a discussion concerning the scriptural and ethical ramifications of advising clients to invest in BRI.

Socially and Biblically Responsible Investing

"Socially responsible investing", or SRI, has grown out of a desire to use investment assets to further or support one's social goals (Schueth, 2003, p. 189). SRI has become a topic of growing significance in the investing community, and the nature and application of the philosophy directly affects the destination of trillions of investment dollars (Schueth, 2003). "Biblically responsible investing", or BRI, has grown from a similar foundational motivation, but with an entirely different set of presuppositions and decision making criteria (Short, 2010, p. 14; Stewardship Partners, n.d.). It is important for financial advisors to understand the histories, similarities, and differences between the two systems, as well as how to use them ethically in the course of their advice-giving activities (Siverling, 2015; William, 2009).

Socially Responsible Investing

Socially responsible investing is the practice of making investment decisions based on more than merely the profit potential of any particular investment (Schwartz, 2003). While the possibility of receiving a return is an important part of this idea, otherwise it could not truly be termed investing, the investor also takes into account actions and policies of the underlying companies that either positively support his or her moral or philosophical ideals, or negatively detract from the promotion of those ideals (Escrig-Olmedo, Munoz-Torres, & Fernandez-Izquierdo, 2013). Those holding to a socially responsible philosophy attempt to refrain from supporting corporate actions that are opposed to their moral or ethical beliefs, and attempt to influence their chosen investment targets toward conformity with their moral convictions and their opinions concerning ethical business activity (Schwartz, 2003).

Foundations of SRI

The foundations of SRI are an important part of investing and business practice, and have been since early in recorded history. Jewish codes of ethics have been around for over three thousand years, codes which included principles designed to guide Jewish investors on how to use their money in a manner appropriate to their devotion to God (Schwartz, 2003). Islam, through its institution of Sharia law, established boundaries on specific items that a Muslim was to have no contact with, including fiscal contact. The Roman Catholic Church, while relatively mute on the particular subject throughout its history, has put forth teaching that supports SRI concepts for many years (Beabout & Schmiesing, 2003).

In the past century, socially responsible investing has become a diverse, highly studied, and at times divisive part of the investment landscape (Barnett & Salomon, 2003; Fontaine, 2013; Bengtsson, 2008). Ethical and social criteria vary widely between SRI products, and a variety of potential investments confronts the investor who casually searches for a socially responsible target for their money (Berry & Junkus, 2013). Individuals attempting to use their money in an ethical way are faced with the dual challenge of quantifying and analyzing their own position on moral issues, as well as identifying SRI vehicles that truly match up with that position (Michelson, Wailes, vander Laan, & Frost, 2004).

Importance of Understanding SRI

There has been an increasing amount of pressure on investment managers to create and sustain socially screened investment products and portfolios (Schueth, 2003). Many companies that offered SRI options to clients in the late 1990’s did so as a result of grassroots pressure from clients and institutional investors, rather than as a result of innovation or a desire to provide such services. The baby boomer generation is increasingly interested in making sure their investment decisions both fulfill their financial goals as well as match with their personal values (Ghannadian & Johnson, 2007). Along with this change, socially responsible investing has grown at an exponential rate, and is mounting in importance as an investment philosophy (Scholtens & Sievanen, 2013).

The desire to positively affect the morality of the way business is done is a strong force in the modern Western mindset, but doing so without a proper understanding of the possible ramifications of the particular method or intellectual framework employed can lead to an effect opposite to that intended (Johnsen, 2003). SRI is far from monolithic, and there are a number of different forms and variations on the practice (Berry & Junkus, 2013). A brief discussion of the history, rationale, and debates surrounding SRI will provide a clear picture of the subject.

History of SRI

SRI has its modern roots in the Christian community of the 1920s. The first SRI fund was the Pioneer Fund, designed to reject manufacturers of alcohol and tobacco, started by Philip Carret in 1928 (Beabout & Schmiesing, 2003). The Vietnam War was a turning point in the history of SRI, as it saw the development of the Pax World fund, a fund designed to keep investment dollars from supporting the war, and the Interfaith Center on Corporate Responsibility, which was the first to encourage shareholder resolutions as methods to use to influence corporate actions. The South African apartheid struggles in the 1980s caused many retirement funds to divest from businesses working in South Africa (Beaubout & Schmiesing, 2003).

In the late 1980s, socially responsible investing hit a period of heightened growth and recognition which continued throughout the 1990s (Beabout & Schmiesing, 2003). The decade prior to 2013 saw a rapid increase in the growth of the SRI movement, while conventional investing strategies remained relatively even-keeled (Scholtens & Sievanen, 2013) The past 3 years have seen a large increase in the amount of U.S. money invested using SRI strategies, from $3.74 trillion in 2012 to $6.57 trillion at the start of 2014 (The Forum for Sustainable and Responsible Investment, 2014).

SRI Rationale

SRI is essentially a practice built on the idea that, in order to be intellectually consistent, investors can use their investment dollars to promote the furtherance of their social goals through their investment targets (BihnMahfouz & Hassan, 2013). There are a number of different ways of implementing SRI, depending on the investor's opinions on social issues, as well as on the method in which investment dollars are used to further social goals. Investors may choose to merely exclude companies that directly oppose or produce in contrast to their ethical beliefs, a practice known as avoidance screening, or they may choose to include only those that are engaged in activities the investor approves, known as affirmative screening (Beabout & Schmiesing, 2003). Investors may choose to use their money to perform shareholder activism, which is the practice of investing in companies with the intent to use the influence of the purchased ownership to affect the practices of the corporation (Berry & Junkus, 2013). This practice can be carried out in multiple ways, ranging from discussions with management to shareholder resolutions (Beabout & Schmiesing, 2003). A final form of SRI, known as community investing, is the practice of sending investment dollars toward small businesses and housing in economically under-developed areas (Schueth, 2003).

One of the primary motivators of SRI is the desire to positively affect the business world through the proper use of investment funds (Johnsen, 2003). This means that SRI decisions can essentially only be made in the context of actions that will cause a tangible effect on the actions of a company or industry. One of the most common types of SRI is the process of divesting from companies that engage in socially irresponsible behavior (Johnsen, 2003). This seems like an obvious way to effectively promote one's social agenda, in much the same way that voting against a candidate in an election promotes those positions that the candidate opposes. However, this strategy does not take into account the fact that participating in the stock market does not directly provide a tangible economic advantage to those companies in which a portfolio is invested (Michelson, et al., 2004). When an investor buys a stock, they do so in most cases from another investor or institution, which does not give the actual issuer of the stock anything other than a stable or growing stock price that it can use as a possible source of new financing. This means that merely refraining from investing in a socially irresponsible company may not actually hurt that company, and investing in socially responsible organizations may not give them the economic benefit necessary to make their practices attractive to other companies.

An alternative to the practice of merely buying socially responsible stocks is found in the SRI practice of shareholder activism. This strategy consists of investing in companies that participate in activities contrary to what an investor wants, and proceeding to attempt to influence company policy through shareholder resolutions and any other avenue the company provides for its shareholders to use (Goranova & Ryan, 2014). Shareholder resolutions are propositions that owners of the company vote on, and even a failed resolution can alert management that their practices may have a detrimental effect on support for their organization (Beabout & Schmiesing, 2003). This strategy attempts to more proactively affect the issues that an investor desires to influence.

On the other side of the table, corporations have begun to acknowledge the importance of acting in such a way that the surrounding community is benefitted by their attempts to create a profit. The practice of acting in a socially conscious way as an organization is called corporate social responsibility, or CSR (Fontaine, 2013). Executives and other decision makers recognize the marketing benefits of being socially conscious, the protection from litigation that most socially responsible programs provide, and the potential disadvantage that can be created by failing to act responsibly when their competitors do so (Fontaine, 2013). Investors attempting to use their money in a manner consistent with their belief system are able to look to a company's CSR initiatives and values in order to determine the appropriateness of that organization's presence in their portfolio.

SRI Viability

SRI investment products have been empirically studied by a variety of authors, and differing viewpoints on the viability of such products abound (Mallett & Michelson, 2010; Adler &Kritzman, 2008; Peylo, 2014). Critics of SRI have focused on the strictly financial side of the argument, and held that socially responsible investing causes lower returns than unconstrained investing (Capelle-Blancard & Monjon, 2012). Some thinkers have also questioned the effectiveness and ethical superiority of SRI products, and have questioned both the application and the foundation of SRI philosophies (Schwartz, 2003; Johnsen, 2003; de Colle & York, 2009). A review of a few main points of support and criticism will provide a background for understanding the SRI world, but a full analysis of all such debates is outside the scope of the current discussion.

Criticisms. One argument against SRI is that investing in a company on the basis of criteria other than investment return will, by definition, give a portfolio a disadvantage compared to an unconstrained investment mix (Adler & Kritzman, 2008). This position holds that an SRI decision, in order to truly be socially responsible, must be one that is made without reference to the return of that investment. For instance, merely choosing one company over another on the basis of profitability would not be a decision made for socially responsible reasons, even if that opportunity happens to fulfill the investor's SRI requirements. Therefore, the argument is that the only SRI investment options which can actually be examined as choices made for moral reasons are those that invest in one option despite that option having a lower return than another socially irresponsible option. In essence, this criticism of SRI argues that truly socially responsible portfolios by definition must have lowered returns, because investing in a portfolio that has a higher return is not a socially responsible choice, but is instead merely an active management strategy. This argument rejects the idea that investment decisions made according to primarily moral criteria cannot be made without some cost.

Another common complaint about SRI is the lack of a clear definition as to what types of investments can actually be deemed socially responsible, which can be evidenced by the great deal of variance between the philosophies and methods employed by different members of the SRI community (Sandberg, Juravle, Hedesström, & Hamilton, 2009). There are many funds that advertise as being socially responsible, but may focus on different issues or use less stringent criteria than another firm that uses the same moniker (Michelson, et. al, 2004). The terms ethical and socially responsible are used in some cases to describe the same process and philosophy, and in other cases are used to delineate between investment designed to screen out morally repugnant investments, and investment designed to deal with ESG (environmental, social, and governance) factors through screening and shareholder activism. Critics of this facet of SRI are cautious about basing an entire investment strategy around investment in SRI companies without a clear understanding of what the term means to the companies in question (Michelson et al., 2004).

Some individuals do not criticize SRI in principle but instead criticize some of the methods that the movement uses to effect social change (de Colle & York, 2009; Schwartz, 2003). For instance, many SRI funds weed out companies based on a list of morally repugnant products those companies produce, such as alcohol and tobacco. The ostensible objective of this practice is to, at least partially, lower support for these companies, and in the process create a healthier society. However, other companies that produce potentially harmful products (such as medications or some household products) may pass through this screening process, even if those companies do not do an effective job of making sure that their products are not used in non-harmful ways (de Colle & York, 2009). These thinkers do not necessarily disagree with the purpose of SRI, but instead express concerns about the application and fulfillment of its goals.

Support. SRI's cost has been analyzed by a number of different researchers over the years, in a multitude of different ways, and for many years SRI funds were viewed as providing a slightly lower rate of return than conventional mutual funds (Bauer, Koedijk, & Otten, 2005; Kempf & Osthoff, 2007). However, many scholars argued that the slight difference was due to a number of factors other than the ethical criteria applied, including relative newness of the concept compared to conventional investments as well as differing investment styles. A study by Rob Bauer, Kees Koedijk, and Roger Otten (2005) indicated that investing ethically did not cause a significant difference in return from conventional methods, and explained the previous data indicating lower returns as being the product of a catching up period that ethical investing went through in the early 1990s. The study also showed that socially responsible funds tended to have dissimilar investment styles compared to conventional returns, and so tended to react to changing market conditions differently (Bauer, Koedijk & Otten, 2005).

A recent study published by Linda Yu (2014) in the Global Journal of Business Research compared a large group of SRI mutual funds to another group of conventional funds with investment and sector characteristics similar to each other. The study found that different SRI criteria produced different relative returns over the time period between 1999-2009, with some criteria producing lower than conventional returns, and other criteria producing higher than conventional returns (Yu, 2014). While this study only looked at mutual funds it did indicate that SRI mutual fund performance was at worst marginally lower than conventional returns, and in some best-case scenarios was significantly higher than conventional investment products. While a full discussion of the empirical support for screened investing is outside the scope of the current discussion, many more articles and studies have indicated that it is a viable investment philosophy (BinMahFouz, & Hassan, 2013; Cortez & Silva, 2011).

Amoral Investing

There is a current of investing thought that holds that corporations are inherently amoral entities, and that the highest form of social responsibility that decision-makers at corporations should attempt to perform is the pursuit of profits within the legal framework in which they exist. Milton Friedman (1970), the famed economist and thinker, expressed this view in *The New York Times*:

> There is one and only one social responsibility of business–to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud. (p. 178)

Friedman felt that companies made up of shareholders should not use profits to perform public good, because such a use would essentially make decision-makers in those companies perform the governmental function of taxation. He held that shareholders attempting to make the company perform in a certain socially responsible way are essentially taxing their fellow shareholders and distributing their profits elsewhere, which he held to be detrimental to the profit-seeking purpose of a corporate entity (Friedman, 1970). Friedman also asserted that socially responsible actions which provide a benefit to the corporation, (such as better public relations as a result of environmentally friendly corporate policy), are not inherently morally or ethically superior to other actions, because they are done out of the same profit-seeking motivation as any other corporate action.

In 2005, Friedman engaged in a literary debate with John Mackey, CEO and founder of Whole Foods Market, a corporation that expressly supports the use of its profits to further social goals as one of the tenets of its corporate values (Friedman, 2005). In this debate, Friedman restated his belief that socially responsible activity by corporations done without shareholder support is less than optimal, and added the assertion that private philanthropy and cause promotion is a more effective means of social good than is action by corporate decision makers or even 501c(3) nonprofits.

Biblically Responsible Investing

While traditional SRI focuses on both morally consistent investing and creating social change through investment in moral or ethical companies, and amoral investing attempts to invest in the market without attention to the moral component of corporate activity, BRI focuses on attempting to use a Christian's money in a way consistent with Scriptural principles (Weinhold, 2014a). BRI began as a movement primarily designed to remove Christian involvement in investment products that included companies with morally and scripturally objectionable aspects, but has begun in recent years to also include a more inclusive, holistic strategy, rather than merely an exclusionary focus (Weinhold, 2014b).

Foundations of BRI

SRI proponents in general have moral or ethical viewpoints, but do not have an ultimate authority to which they can turn when attempting to form screens and ethical frameworks for their investing practices (Short, 2010). Certain individuals view environmentally friendly corporate actions as a high priority in their investment decision, while others do not, but neither side has a standard by which to judge the morality or immorality of the other's viewpoint, other than cultural norms and situations (Bengtsson, 2008). SRI motivated by religious belief, such as BRI or Islamic investing, is an exception to this general rule, providing a relatively codified standard by which an investor can analyze his or her investment decisions (BinMahfouz & Hassan, 2013). BRI is therefore, when viewed from an outside perspective, essentially a subcategory of SRI with its own screening issues. BRI proponents view it as being a separate entity, because of the differing motivation behind the screening activity, as well as the source of the criteria involved in deciding which companies to invest in (Stewardship Partners, n.d.).

BRI differs slightly from SRI in the issues that are focused on when designing and implementing screens. SRI tends to focus heavily on improving corporate governance, whereas BRI does not view this issue as a focal point of its screens, although egregious deficiencies in this area would remove a company from a BRI compliant portfolio (Short, 2010). SRI does not view same-sex marriage or abortion as a screening issue, whereas BRI would rank one or both of these issues as being extremely important. Points that SRI and BRI proponents generally agree on include alcohol, tobacco, gaming, environmental stewardship (as opposed to radical environmentalism), and human rights violations (Graham, 2014).

Dwight Short, an influential proponent of BRI, outlines some basic issues that a BRI compliant portfolio will exclude. Tobacco and alcohol manufacturers are excluded based on the Bible's call to stewardship of the body in verses such as 1 Corinthians 3:16-17 and on the willingness of such manufacturers to market to the addictions of large numbers of people. Abortion is a hot-button issue for Christians in general, and any company involved in the abortion industry would be removed from a BRI compliant portfolio (Short, 2010). Pornography distributors and producers are excluded, as are companies supportive of the homosexual community. Gambling companies as well as companies that produce anti-family entertainment are excluded. Companies with corporate governance structures that promote immoral activity, (such as excessive executive compensation and disregard for employee and shareholder interests), are excluded based on the Bible's numerous calls to personal integrity (Short, 2010).

Importance of Understanding BRI

The Bible calls Christians to do everything with God's will in mind, as representatives of the God they serve (Colossians 3:17). Therefore, Christians that attempt to participate in the investment world are faced with the challenge of making sure that their money is being invested according to the moral statutes of the God they worship. While this requirement may seem to lean more toward the legalistic attitudes of the Pharisees, it can instead be viewed as more of an opportunity to turn the area of finances into a place of worship (Graham, 2014). BRI provides an avenue for Christian investors to both fulfill their responsibility to be representatives of Christ and to participate more fully in the act of financial worship (Graham, 2014).

It is also important to understand the differences between the typical BRI firm and the typical SRI firm. While many of the ethical criteria used by both investment philosophies are the same, a few of them, most notably abortion, homosexuality, and pornography, are either not shared or are emphasized in differing levels of intensity (Short, 2010). The Christian has a moral responsibility to invest according to his or her personal beliefs, and while SRI may more closely align with a Christian perspective than a purely profit-based strategy, both Christian financial professionals and individual investors need to be aware of the differences and similarities between the two (Graham, 2014).

History of BRI

For many years, certain funds such as the Ave Maria family of Catholic investment funds have been using screens essentially identical to BRI screens without using the term BRI (Ave Maria Funds, n.d.). During the last two decades, mutual funds that screen on faith-based criteria have grown in importance and size, and in October of 2012 had more than $30 billion in assets under management (Kathman, 2012). Biblically responsible investing has been a part of this growth, and the last decade especially has seen the appearance and growth of over 100 mutual funds that offer BRI screened investment opportunities (Siverling, 2015). When BRI as a separate entity was introduced in the early 2000s, it was known by a number of different names, but the moniker of "biblically responsible investing" is thought to have been coined by a Christian financial professional named Dan Hardt in 2004 (Graham, 2014, p. 51).

A number of different organizations have been at the forefront of the development and identification of BRI as a separate investment strategy. One early BRI fund family is the Timothy Plan, started in 1992 as an investment option designed for pastors (Timothy Plan, 2014a). In 1997, the Biblically Responsible Investing Institute, (Values Investment Forum at the time), was formed by a group of investment professionals as a source of investment research to help institutions and individuals identify which companies to invest in in order to remain BRI compliant (Biblically Responsible Investment Forum, n.d.). The Christian Investment Forum, a non-profit organization made up of individuals and many modern companies devoted to BRI, is a relatively new organization devoted to promoting the adoption and knowledge of BRI concepts and strategies in the investment industry (Christian Investment Forum, 2012).

BRI Rationale

BRI, like its related category SRI, is a broad and varied categorization of investment strategies and philosophies. Just as there are a number of different interpretations of nearly every point of doctrine in the Bible, there are differences in the ways that investment firms attempting to follow the Bible will apply its principles to different issues (Graham, 2014). While most BRI firms will not screen weapons manufacturers completely out of their investment products, the Mennonite church has a number of funds that explicitly reject such companies as a result of the Mennonite's pacifistic understanding of the Scriptures (Graham, 2014). Although there are some discrepancies, the main BRI ethical issues (abortion, LGBT and alternative lifestyles, pornography, human rights, etc.), are agreed on by BRI funds.

The various differences between BRI investment criteria spring not from discrepancies in basic values, but from differences of opinion concerning the interpretation of the Bible and the nuances that such interpretations bring to the value that each potential issue has for the investor (Stewardship Partners, n.d.). BRI is based on the desire to follow the Christian Bible's precepts and principles as closely as possible, and to provide a vehicle for investors desiring to follow those principles. The particular criteria and stringency of screening may be different between BRI firms, but the underlying desire to closely match investment products and strategies with the principles and precepts of the Scriptures unite their investment philosophies (Stewardship Partners, n.d.).

BRI Viability

A large amount of scholarly research has been done on the relative performance of funds involved in social or ethical screening over the last few decades (BinMahfouz & Hassan, 2013). BRI has not had as much research performed, given its relatively shorter life-span, but what research has been done can be supplemented by that done on screened portfolios in general (Stewardship Partners, n.d.b). As stated above, the viability of SRI is a point of contention among scholars, but the literature seems to indicate that the practice has at worst only marginally lower rates of return than those of non-screened investment funds (Bauer et al., 2005; Yu, 2014). Although it is impossible to conclusively prove that ethical investing has absolutely no detrimental effect on portfolio return, various researchers have asserted that it is at least sometimes possible to invest ethically while maintaining a competitive position (BinMahfouz & Hassan, 2013).

The Biblically Responsible Investing Institute performed a study that compared the returns of stocks passing BRI screens (saint stocks), with stocks that failed BRI screens (sinner stocks), from 2001-2012 (Biblically Responsible Investing Institute, 2012). The Institute found that sinner stocks had a slight advantage in the short term but, over a period of 4 years or longer, BRI compliant stocks had equal or slightly larger returns than those that failed BRI screens. While such a short time period may not be able to fully indicate that BRI screening will provide similar returns to an unconstrained portfolio, it does indicate that in at least some economic climates, BRI will be able to achieve gains equal to the unconstrained mutual fund market (Biblically Responsible Investing Institute, 2012).

SRI and BRI Examples

Investment on an individual level is commonly done through mutual funds, or large pools of money managed by financial professionals, as a method of inexpensively diversifying a portfolio (Bhardwaj, 2014). However, as part of this inexpensive diversification, mutual funds require individuals to give up a good deal of control of the particular targets of their investments. In the middle of the 20th century, the financial industry recognized the desire for ethical and morally consistent investment options, and a number of different mutual funds were born that promised to maintain the integrity of an investor's portfolio (Beabout & Schmiesing, 2003). In the present day, this industry has grown immensely, and an investor attempting to invest morally is faced with a wide array of possible investment targets. A brief description of some major SRI and BRI funds will provide real-world examples of the differences and characteristics of both philosophies.

Socially Responsible Investment

One prominent SRI company is the Calvert Investments family of mutual funds. Calvert's socially responsible products were started during the apartheid struggle in South Africa in the 1980s, and since then have grown into a large number of different avenues of sustainable and socially responsible investment (Calvert Investments, 2011). The company has three categories of SRI strategies that it employs in its offerings. The first category invests only in companies that pass seven basic criteria tests: governance and ethics, environment, workplace, product safety and impact, human rights, indigenous people's rights, and community relations. This category also excludes most companies if they are involved in firearm, tobacco, alcohol, or nuclear energy production. The second category focuses on investing specifically in companies and sectors that are involved in sustainable products or causes, such as alternative energy or clean water initiatives. The third category focuses on investing in companies that fail the above investment criteria but show potential to improve, and using shareholder advocacy to improve their practices (Calvert Investments, 2011).

Biblically Responsible Investment

One recognizable example of an evangelical BRI product line is the Timothy Plan family of mutual funds. This organization was formed in 1994 to provide an alternative to SRI for those desiring to match their investments more closely with the Bible than the typical screened portfolio (Porter, 2013). These funds weed out a set of specific characteristics or activities that a company is involved in, with a focus on pornography, abortion, and anti-traditional family entertainment. The funds grew out of the founder's desire to offer a set of investment products to pastors that lined up with the principles that those pastors were putting forth as true (Timothy Plan, 2014a). The Timothy Plan is made up of fourteen funds, including bond funds and specialty funds. As an example of the diversity that BRI and SRI funds display, the Timothy Plan includes an Israel Common Value fund, designed to invest in an ethical and diversified set of Israeli companies (Timothy Plan, 2014b).

For the Roman Catholic investor, the Ave Maria fund family is one avenue of engaging in BRI. These funds are screened according to the criteria of their Catholic Advisory Board, which answers to the central Catholic church (Ave Maria Funds, n.d.). The fund focuses heavily on anti-abortion and pro-family screening criteria, and has six funds ranging from a fixed-income bond fund to a traditional growth portfolio.

Analysis

At first glance, it would seem that a Christian professional attempting to invest according to his or her values should immediately invest in any of the available BRI firms, and should advise clients and friends to do so as well. If, "all Scripture is God-breathed and is useful for teaching, rebuking, correcting, and training in righteousness" as Paul says in 2 Timothy 3:16 (NIV), then it would seem that any company investing according to Scriptural principles would be a good match for an investment portfolio. An analysis of two hypothetical situations from an ethical and biblical standpoint will be used to provide guidance concerning the legitimacy of this approach.

Ethical Considerations

One who gives advice for money is selling a product (i.e. their counsel that ostensibly helps the client) to a customer who trusts that individual to have their best interests in mind. When and advisor tells an individual to buy an investment product, they have an ethical and at times legal responsibility to suggest products that are suitable for the client (Angel & Mccabe, 2012). Advisors with discretionary control over their client's assets are required to act as agents of that client, essentially meaning that they are not able to unilaterally make decisions contrary to the client's wishes (Sitkoff, 2014). U.S. advisors with a fiduciary duty to their clients therefore legally have a requirement to use their skills and knowledge to fulfill the client's wishes as closely as possible, and to ensure that their strategies are in line with the client's risk tolerances and desires. Advisors also have an ethical requirement to ensure that information concerning the processes, information, and structure on which they base their advice concerning screened investments are available to their clients and are in agreement with the client's goals (Martin, 2009).

A Christian's Relationship with BRI

Jesus released Christians from the fear of poverty and financial ruin in Matthew 6:25-34. In these verses, Christ emphasized not only the folly of running after possessions for their own sake, but also the fact that a Christian's role is to worry about his or her actions and motivations in the present, and to let God provide for physical needs. Near the end of his letter to the church in Philippi, Paul emphasized that God would supply all of their needs as a function of his immense glory (Philippians 4:19). In Matthew 7, Jesus says that the Father views a Christian as a son or daughter, and that it would be illogical to expect Him to treat his children in a worse manner than the evil and carnal people of the world treat theirs.

The Old Testament also emphasized the superiority of character, integrity, and love for God over the quest for wealth and riches. Malachi 3:9-10 exhorts the Israelite nation to open their possessions to God in the form of tithes, and promises that He would reward such actions with "so much blessing that there will not be room enough to store it" (NIV). Solomon, one of the wealthiest individuals found in the pages of Scripture, was given riches as a result of his desire for wisdom from God rather than physical possessions (2 Chronicles 1).

The fact that money is only entrusted to a Christian as a steward greatly diminishes the importance of relative return to the market when a Christian professional is interacting with a Christian client. While gaining a financial return on the money that God entrusts to his followers is applauded in the Scriptures, (as in Proverbs 31 in the case of the industrious wife), the nature by which those gains are acquired is both morally and causally important (Proverbs 10:2). Throughout the book of Proverbs, money that is gained through dishonest means is mentioned as being fleeting and unable to fulfill. In Exodus 22:25, the prohibition against charging interest to a needy person reveals a deeper principle against using the power of money to exploit the less fortunate members of society.

Since God promises that He will take care of those who follow Him, a Christian is able to invest his or her own money according to their beliefs about the Scripture and morality with confidence that their physical needs will continue to be met (Matthew 6:26). Although a Christian should still ensure that their portfolio is being managed effectively as part of the larger call to good stewardship, the constraints of BRI need not faze them when deciding where to invest what has been given to them. Therefore, Christian professionals can ethically and scripturally include a BRI mutual fund or other investment product when designing another Christian's portfolio, even if the particular fund does not produce as high of a return as an unscreened one. This possibility is constrained by the previously mentioned ethical requirement to provide advice in accordance with the preferences and risk tolerances of the client.

A Non-Christian's Relationship with BRI

The situation becomes more complicated when a Christian professional works with individuals who do not hold to Christian principles, and who do not accept the inerrancy and promises of Scripture. In such a situation, an advisor will not be able to put forth the idea that they will ultimately be taken care of financially, as they do not have such a promise in the Bible. Such a client would also potentially have differences of opinion with some BRI portfolios concerning certain issues such as homosexual marriage or abortion. Proverbs 11:1 talks about the necessity of making sure that the standards used in a business transaction are fair and accurate. In such a situation, in order to fulfill the ethical duty that the professional has toward their client while still supporting BRI, he or she must be able to offer BRI products that perform well compared to other funds. The advisor must also ensure that they are not using assets in a manner that the client would not approve of, (such as investing a pro-homosexual client's money in a fund that excludes pro-homosexual companies), as this would violate their fiduciary duty to the client (William, 2009).

In order to determine if a Christian professional can ethically offer BRI funds to their non-Christian clients, two issues must be addressed. First, the advisor must determine whether or not the issues that the fund screens for are in line with the ethical and moral framework that the client holds to. While it may seem pointless to question a client on such seemingly abhorrent issues as gambling, tobacco and alcohol, there are definitely investors that value return on investment more than ethical criteria, as evidenced by the existence of such funds as the USA Mutuals Barrier Fund (formerly VICE fund) that specialize in such industries because of their resilience to recessionary periods (USA Mutuals, 2014). Without proper exploration and conversation, an overly zealous BRI proponent might accidentally sell a BRI fund to an individual with a desire not to participate in the ethical screening provided by the fund, which would not be in line with the investor's ideals.

In addition to the specific ethical criteria that a BRI fund uses, an investor may also balk at the concept of using such screens to influence corporate behavior. The position held by Milton Friedman previously stated shows the resistance that individuals with his understanding of the function and purpose of business activity have to the concept of introducing conventional morality into the discussion of investing (Friedman, 1970; Friedman, 2005). A client who holds to this view is likely to be uncomfortable with using his or her money to influence the intended investment targets toward a certain moral activity, especially when shareholder activism or other coercive measures are used. An advisor who wishes to promote BRI while respecting the opinions and desires of his or her client must be sure to identify whether or not those clients even agree with the concept of using investor money to influence corporate behavior.

The second issue that an advisor has to deal with in this situation is the possibility of the client viewing BRI, (or for that matter SRI in general), as a less desirable form of investment based on the purported lower returns that such investment products provide. To address this issue, the advisor must not simply demonstrate that BRI in general has comparable returns to the broader market, but must also prove, as with any other potential investment product offered, that the returns of the particular funds available are able to compete with the broader market (William, 2009). In order for the Christian professional to maintain an honest and open relationship with the non-Christian client, they must be ready to defend the financial performance and strategy of the BRI fund being offered, and must be willing to consider alternative investments should the client be unwilling to accept the perceived risk.

The research done by the Biblically Responsible Investing Institute, as well as the broader research concerning general SRI, suggests that at least some ethically responsible investment products are able to compete in the securities markets on the basis of financial merit. A Christian advisor attempting to introduce the concept and explore the possibility of participating in the BRI world with their client's money can use the information provided by the work of the Biblically Responsible Investing Institute and the various authors described above to convincingly argue that SRI and BRI investment products do not necessarily decrease or hurt portfolio performance. While research on a broad range of investment targets does not necessarily say anything about the performance of any particular product, at least this basic premise allows the advisor to combat the stigma that ethical screens may possess in the minds of some investors.

An advisor must, while providing support for BRI and SRI in general, also develop a rationale for the particular company or fund that is being offered to the client. While it may have been difficult 20 years ago to find a firm that offered a BRI product with enough historical data to establish legitimacy, there are numerous modern day examples of BRI companies that have performed well enough to grow in size and number of investors (Graham, 2014). As long as the strategy of the particular fund that the Christian professional offers to the client matches with that client's overall financial and social goals, the professional can offer that fund as a potential investment target without violating the duty he or she has to carry out the client's wishes.

Conclusion

Socially responsible investment and biblically responsible investment have risen out of an increasing awareness and desire to invest according to criteria other than merely financial indicators of success or failure (Schueth, 2003). Investors are increasingly attempting to make sure that their portfolios are consistent with their moral or ethical beliefs, and that their money is going to companies that support or agree with their social goals. Investors do this through a number of different methods, including portfolio screening, shareholder activism, and community investing.

The differences in viewpoints between individual investors have given rise to two related philosophies of investing, SRI and BRI. SRI is the practice of investing according to whatever standard of morality, ethics, or social improvement goals the investor chooses to adhere to. BRI consists of investing according to the principles and precepts that the Bible puts forth as binding and important (Graham, 2014). Individuals attempting to understand the arena of investing according to non-financial criteria must be aware of the differences and similarities between SRI and BRI (Siverling, 2015).

Given the complexity of the SRI and BRI world, and the multiple different worldviews and principles that investors hold to, no hypothetical situation can fully prepare a financial advisor for every possible ethical conflict that use of screened portfolios might cause. However, the situations and analysis previously described provide a framework and starting point that an advisor can use to decide how to best apply his or her expertise in advising their client. When an advisor correctly uses professional skill and knowledge to approve BRI investment products for a client's portfolio, and discloses the ethical nature of the investment strategies that those products use, he or she does not fail to fulfill their responsibility to the client as a source of expert knowledge.

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