

Investing and Finance

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Dear Bahá'í Friends:

Thank you for your inquiry, via e-mail, dated May 10 and concerning several issues raised in a May 9 Internet posting by Mr. xxxx.

These are all very timely questions, as the growing maturity of the friends and their institutions, as well as the generally greater amounts required to attend to the needs of the Faith, lead us into financial and spiritual territory that has hitherto been largely unexplored. Moreover, our emergence from obscurity demands that the investment decisions we make, whether individually or collectively through our institutions, reflect the principles of the Faith and the highest standards of integrity, quality and concern for the well-being of the fellow members of our human family.

First, and with regard to your specific question, the basic principle was enunciated in a letter written on behalf of the beloved Guardian and published in Letters to Australia and New Zealand, p. 20: "The only advice the Guardian wishes to give is that whatever investment the friends make they should do it with the utmost caution, as economic and financial conditions are at present most unstable and even precarious." The Universal House of Justice further stated, in a set of guidelines for National Spiritual Assemblies that was shared with local bodies by our National Assembly on February 24, 1992, that "The National Spiritual Assembly itself must ensure that proper provision is made for preserving the value of financial reserves by wise and careful management."

The National Spiritual Assembly has, in its own practice to date, taken this guidance to mean that investment instruments must reflect the very best risk available in the market; return is a less important criterion. Further, with the rapid proliferation of investment vehicles, not all of whose effects are known or predictable even to highly accomplished financial professionals, an extra measure of caution is called for---the risks affect both the sacrificial offerings of the believers, a sacred trust, and the future development of the Cause.

These criteria perforce narrow the range of acceptable investment options for Bahá'í institutions. Most government securities, certificates of deposit from

commercial banks with the highest ratings (at least AA-/Standard and Poore rating and Aa3/Moody's Investors' Service rating), and so-called "A1/P1" commercial paper from leading corporations whose businesses conform to our standards as Bahá'ís would likely be on that short list. Maturity limits, i.e.

the time periods (tenors) for which funds can be invested, can be somewhat flexible; the intent would be to match cash flow patterns and to avoid

speculation on market trends, a practice which could subject an institution's investments to additional risk.

In practice, the paucity of cash available to the National Spiritual Assembly, owing to the relatively modest contribution income of the last several years, further limits the Assembly's options, whether in terms of investment tenor or of the vehicles used. The National Spiritual Assembly does have an investment policy which guides its staff in the discharge of this responsibility, and local Spiritual Assemblies would be well-advised to create their own policies that fit their particular circumstances.

Naturally, individuals have greater latitude in choosing their investments. Mr. xxxx makes some cogent points about mutual funds; these obstacles are not, however, insurmountable in our view. Diligent research can disclose the various holdings of the mutual fund, at least by industry sector, and where that information is not available, the believer always has alternative options to a prospective investment.

Regarding a "Bahá'í money manager," there are already a number of Bahá'í professionals in the field of finance, of course, but we are not aware of any believer who is himself or herself the manager of a fund, or of a fund specifically directed to the use of Bahá'í investors. The National Spiritual Assembly has given some consideration over the last several years to the creation of different kinds of investment options for the friends, but staff has so far been too overextended with existing priorities to give this subject the study and community dialogue it requires.

Finally, the creation of a national foundation is an ambitious notion which certainly has merit. We question whether the institutional and administrative capacity is yet present to manage such an entity, and in any event we fall back to the previous point: there are not, as yet, the human resources identified or available to perform the rigorous analysis prudence would demand in this connection.

One important aspect that would have to be meticulously considered for these purposes is the guidance, given by the Universal House of Justice as recently as 1989, that the creation of a financial institution associated with the administration was not deemed timely. The Supreme Body did leave open the option that individual believers could establish some kind of private bank, but stated "it should be conceived entirely as a private, commercial undertaking, and entered into on sound business lines." (On behalf of the Universal House of Justice, 13 August 1989)

The National Spiritual Assembly is committed, however, to establishing a viable planned, or deferred, giving program during the Four Year Plan. This can begin with every believer, who must, in accordance with the provisions of the Kitáb-i-Aqdas, make a will in order to testify to her or his belief in God and to dispose of personal belongings. This act of obedience attracts blessings in and of itself, while the "execution of the provisions of the will causes the spirit of the deceased to rejoice in the Abhá Kingdom (on behalf of

Shoghi Effendi)." More complex vehicles can and should be explored by the friends, and this Office is presently developing a capacity to assist the believers in this process. Additional details will be communicated as they become available, including the interesting possibility of a national conference for professionals in this area.

Finally, we must admit that we take some exception to the comment that there is a "great deal of spiritual ambivalence about money in the US Bahá'í community." There is always room for a deeper understanding of every aspect of the Faith, the role of material means included. The community, however, was set a demanding test in the year just past, a test of obedience and firmness in the Covenant whose outward manifestation was financial: would we give our share for the Arc? Tens of thousands of believers, young and old, men and women, rich and poor alike, stepped forward, doing whatever they could out of love for the Cause, for Bahá'í'll?h, and for His Universal House of Justice. The result: more than \$23 million was offered to the Arc and an additional \$13 million offered to the national and international funds. There may be some friends who do feel ambivalence; they would appear to be a dwindling minority, while another, more vital group is pressing forward to seize victories for the Cause.

The more important questions seem to us to be whether our offerings will be accepted by the Blessed Beauty, and whether the community will maintain the commitment to the Faith's future that we have so strikingly demonstrated in the last 12 months.

We hope this information is useful to your consultation, just as the questions have been helpful for us to consider here. Please convey loving greetings to the members of your esteemed Spiritual Assembly and your community.

In His service, xxxx Finance Coordinator

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