

**Charity – A  
Jewish Way of  
Life**

"We have never  
seen, nor heard of,  
any Jewish  
community without  
a charity fund."  
Maimonides (Egypt  
1135-1204), Laws  
of Gifts to the  
Poor, 9:3

**Collecting &  
Accounting for  
Charitable Funds**

"[T]he king's scribe  
and the high priest  
bound and  
counted the  
money that was  
found in the Lord's  
house. And they  
gave the money  
that was weighed  
out to the workers  
appointed in the  
house of the Lord,  
who then  
distributed it to the  
carpenters and the  
builders who  
worked in the  
House of the  
Lord."  
II Kings 12:10-17

# JEWISH VALUES BASED INVESTMENT GUIDE FOR CHARITIES AND COMMUNAL ORGANIZATIONS

## 1. Introduction

---

Every charity organization exists in order to advance some public purpose. Its investment strategy must be seen as an extension of the public purpose for which it was established. Investing is usually directed to promoting the charity's purpose through providing resources for its activities via investment income. Considering this avenue, the risk/return profile sought should be the one that best enables the institution to carry out its mission in a sustainable way

But investment policy can also further the public purpose by providing capital to enterprises that act in harmony with the organization's mission and avoiding investment in enterprises that tend to foil that mission – *"investing with their mission and not against it."* Based on this consideration, the specific economic projects supported by investments should be consistent with the charity's values and goals.

There can be some legal or practical tension between the two avenues, but it is generally minor. On the legal side, in most countries legislation will consider that trustees are fulfilling their fiduciary duty by screening out investments which would be against the mission of the charity (such as a cancer charity screening out tobacco investments) and prioritising investments which further the mission of the charity (such as an environmental charity investing in green energy companies) as long as such investment was done prudently and transparently. On the practical side, there is currently no evidence that investment policies that take social responsibility into account perform worse than comparable conventional investment funds.



### **No one is above accountability**

*The students told Rav Ashi: [The great sage] Ravina fulfills all the directives of the rabbis. [Rav Ashi] sent [Ravina] a message late Sabbath eve: "Send me ten zuz, for I have just encountered an opportunity on a small field". He sent back, "Bring witnesses and let us write a deed." [Rav Ashi] sent back, "Even for me?" He sent back, "Especially you, for you are preoccupied with Torah learning and likely to forget, and I would bring a curse on myself."*

*Babylonian Talmud, Tractate Bava Metz'ia 75b*

## **2. Prudence**

---

Charity endowments are public funds, set aside for a higher purpose. The sanctity of their intended use as well as the intentions of the donors dictate that funds that are set aside for future needs are invested in a way that guarantees that they will be available when the need arises.

The overall investment strategy should be one that guarantees to the greatest possible extent protection of principal. This does not preclude investing some of the money in individually risky investments, so long as the total risk/return profile is a prudent one.

- Endowment investments must be adequately diversified and should ideally be principal-protected. The charity should always have sufficient resources to carry out its mandate.
- Investments need to be adequately liquid to make sure that the resources present can be used to carry out vital activities.
- Due diligence must be exercised to choose investments that don't present excessive risks.

### **Investment Criteria**

---

All investment vehicles should be scrutinized for safety and appropriateness. Here is a partial list of criteria to be examined.

- Does the committee adequately understand the investment – the line of business of a company, or the investment strategy of a fund?
- Does the firm have a reputable law firm advising it, and a reputable accounting firm auditing it?
- Does the degree of leverage used by the fund conform to the investment goals of the organization?
- Does a fund invest in illiquid, hard to price assets that might make it difficult to adequately monitor its performance or to obtain capital when needed?
- Is the investment free of conflicts of interest, for example an investment advisor who also gets brokerage fees (self-dealing)?
- Are the assets held and cleared by reputable firms?
- Are the fees reasonable and transparent?



**Never Endanger  
Essential  
Liquidity**

*Rabbi Akiva says,  
no profit is to be  
made neither from  
Temple funds nor  
from poor funds.*

*Why Temple  
funds? There is no  
poverty in a place  
of wealth.*

*Why poor funds?  
Perhaps poor  
people will appear  
and there will be  
nothing to give  
them.*

*Babylonian  
Talmud, Tractate  
Ketubot 106b*

### 3. Liquidity

---

Having adequate resources to fulfill the organization's public mandate is of no benefit if the resources are not readily available when they are needed. Charity organizations that are designed to meet ongoing needs must be ready at all times to fulfill their mandate.

Therefore, the term and liquidity structure of the endowment should be matched to the needs of the mandate. If up to twenty percent of the endowment may possibly be needed in a particular year, then the investment policy must guarantee that this sum may be rendered liquid as it is needed, either through the ability to realize its value or through the existence of adequate credit against the assets.

- The minimum funds necessary for a charity to fulfill its mandate in a given time period must be rendered liquid in that time period.

### 4. Counter-Cyclicity

---

The above guidelines are in part a corollary of the fact that availability of funds will generally need to follow a countercyclical pattern. Not only aid to the poor is in far greater demand in a downturn; other charity needs also usually follow this pattern. Tuition scholarships are more in need in downturns; even spending for building will be more effective if it is available during downturns when costs are low.

This implies the need for less risky investments, which are more likely to be available in a downturn, and for maintaining adequate liquidity since liquidity tends to dry up in downturns as well.

- Investment policy should ensure that adequate funds are available during economic downturns.



**Propriety – Both  
in Form and  
Substance**

*The collector may not enter [the Temple vault] in a loose garment, or with a shoe or sandal, nor with tefillin [phylacteries] nor with a locket. Lest he become poor, and people will say, It is [punishment] because of the sin of the vault; or lest he become wealthy, and people will say, He became wealthy from the vault. For a person has to fulfill the expectations of his fellow creatures just as he has to fulfill the expectations of the Creator, as it is written: "And you shall be clean towards the Lord and towards Israel" (Numbers 32), and it is written "And he will find favor and good sense in the eyes of God and man." (Proverbs 3) Mishna Shekalim 3:2*

## 5. Investment Committee Procedures

In order to maintain a high degree of expertise and transparency in investing decisions, charities with a substantial endowment should appoint an investment committee. Members of the committee should be chosen on the basis of their expertise and their ability to help select investment vehicles that will best advance the goals and activities of the organization.

In order to ensure that the investment decisions are made in a way that conforms to the specific needs of the organization, at least one representative of the organization should sit on the committee so that the entire committee will be familiar with the proper goals of the endowment investment.

Due to the complex legal environment, it is ideal if at least one lawyer is present on the committee.

- Investment committees should avoid conflicts of interest.
- No investments should be made that bring personal benefit to a committee member or a family member.
- Any other potential conflicts of interest, such as an investment through a close friend or business contact that could advance a member's career, should be disclosed.



### **Never Condone Wrongdoing**

*Anyone who has the ability to protest the members of his household but doesn't protest, is held liable for the members of his household. For the residents of his city – he is held liable for the residents of his city. For the entire world – he is liable for the entire world.*

*Babylonian Talmud Shabbat 54b*

### **Socially Harmful Investments Lack Blessing**

*Those who sell in the alleys, and raise grazing animals and cut down good trees, never see a sign of blessing.*

*Tosefta Bikkurim 2:16*

## **6. Socially Responsible Investment**

---

Investing money is not merely a means to increasing wealth, but can itself be a way to advance important social goals. In Jewish tradition, the highest form of charity is to make a business partnership with a potentially needy person; conversely, investments that patently promote anti-social activities are prohibited.

Charity endowments should consider establishing criteria for investments that advance the objectives of the fund. The exact criteria and the scope of favored or disqualified investment would differ depending on the precise goals of the fund.

Suitable vehicles for promoting the charity's goals through investment policy include: positive screens for companies that advance the organization's agenda; divestment from companies that retard it; and shareholder activism to induce the company to act in the desired way.

Specific guidelines:

- Avoid investments that will actively promote wrongdoing or any activities opposed to your mission.
- Consider if your policy may be viewed as condoning wrongdoing, especially if your organization and its investment policies are well publicized.
- Joining forces with other organizations can be an effective way to promote socially responsible investment, but also needs to be scrutinized if the alliance itself is seemly.
- When prudent investment and socially responsible investment seem to conflict, careful thought will be needed to consider how to harmonize the conflicting demands in accordance with the goals and policies of the organization.

Published By the **Business Ethics Center of Jerusalem**

In cooperation with the International Interfaith Investment Group ([www.3ignet.org](http://www.3ignet.org))

Author: Rabbi Dr. Asher Meir,  
© November, 2009

The guidelines are based on a research project at the Business Ethics Center sponsored by the Shores Charitable Trust

