

SEVEN QUALITIES OF A DISCIPLINED INVESTOR by Austin Pryor

When it comes to investing, learning what to do is relatively easy. But doing what we are supposed to do is surprisingly hard. We can be our own worst enemies, especially when the market becomes unusually volatile, as it has been this year.

One quality that separates top professional investors from the rest of us can take years to develop: emotional self-control. Our emotions interact with news and market events in ways that incline us to act at the wrong times. We all want to “buy low and sell high,” but emotionally, it is very difficult to do either.

For example, few investors are willing to “sell high,” when valuations are increasing. Our natural greed tends to kick in, causing investors to want even more. Nor is it easy to “buy low.” Prices drop because the economy is weak, news is bad, and people are pessimistic or uncertain. Under pressure, emotions tend to dictate our actions. Rather than buy, we tend to wait until information seems more positive.

Even following a sound, rules-based strategy for investing requires self-discipline to overcome emotions and trust the system. Here are seven biblically based suggestions for how to grow in that area:

Be Humble. Accept that “there is nothing new under the sun” (Ecclesiastes 1:9), so instructions God has given us in the Scriptures have proven to be practical and effective. The priorities and guidelines He has provided are for our protection. Abandoning them means we trust our own thinking more than in His.

Be Conscientious. See yourself as a caretaker of what God has given you. Acknowledge taking undue risks jeopardizes His wealth. You are investing not just in this for yourself, but to responsibly increase assets to provide for your family, and give more generously to help spread the gospel of Jesus Christ.

Be Prepared. Develop a written plan that lays out your investment strategy, reflecting your personal goals and desired level of risk. Understand how your investments fit together and the role each part plays. Then let your buying and selling be dictated solely by your plan. Be an initiator, not a responder.

Be Content. A preoccupation with large profits can be dangerous. “People who want to get rich fall into temptation and a trap.... For the love of money is a root of all kinds of evil...” (1 Timothy 6:9-10). So in drawing up your plan, have reasonable ambitions. More money is lost due to greed than any other factor.

Be Diversified. Make sure your plan divides “your portion to seven, or even to eight, for you do not know what misfortune may occur on the earth” (Ecclesiastes 11:2). Higher profits might be made concentrating your money in one or two opportunities, but staggering losses can be incurred as well.

Be Patient. Take a cue from the Parable of the Talents (Matthew 25:14-29), where the master was away for “a long time”: Make your strategy a long-term one that aspires to build wealth slowly, taking up-and-down market cycles in stride. Time is the speculator’s enemy, but the investor’s friend.

Be Accountable. Show your plan to your spouse or a trusted Christian friend and review it with them quarterly to show how you are being faithful in following it. Any thoughts of taking steps outside your strategy will be tempered by the realization you will have to give an honest accounting to your friend.

Austin Pryor has 40 years of experience advising investors and is the founder of the Sound Mind Investing newsletter and website. He is the author of *The Sound Mind Investing Handbook*, which enjoys the endorsements of respected Christian teachers with more than 100,000 copies sold. Austin lives in Louisville, Kentucky, U.S.A.

Reflection/Discussion Questions

1. To the extent you are able, what is your investment strategy? Do you have a formalized plan, do you rely on an adviser, or do you tend to make any investment decisions based on emotions?
2. What is your reaction to the investment suggestion to “be content”? Do you find it easy to be contented with your circumstances and what you have, or are you usually striving for more – or something different? Explain your answer.
3. From an investing standpoint, what do you think it means to “be humble”?
4. Which of the other suggestions makes the most sense to you – and why?

NOTE: If you have a Bible and would like to read more, consider the following passages:

Proverbs 11:25, 13:11, 15:16, 22:9; Matthew 6:19-24,33-34; 2 Corinthians 9:6-11