ISLAMIC WEALTH MANAGEMENT
BUILDING BLOCKS

by

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Introduction

• Wealth management is normally meant for the high net worth individuals. For those without much wealth, personal finance is sufficient.
• Wealth management has more to do with protecting and increasing the wealth of the rich. It also entails the proper planning and management of wealth to meet the consumption and distribution of the wealth.
Introduction (Cont’d)

• Hence there are four main processes involved in Wealth Management, namely
  - Wealth creation
  - Wealth accumulation
  - Wealth protection
  - Wealth distribution
Introduction (Cont’d)

• Wealth management from Islamic perspectives is dictated by Shariah in all its aspects. The processes should include
  - Proper acquisition of wealth
  - Preservation and growth of wealth
  - Correct expenditure
  - Distribution of wealth
  - Wealth purification (may be included in wealth distribution)
First Building Block: Shariah

- Shariah is the Law given by the Creator as contained in the Qur’an and Sunnah of the Prophet (SAW)
- Shariah is also the moral code to be practiced by Muslims
- Shariah encompasses all aspects of life
- It may be divided into the rituals and the worldly affairs
Wealth in Islam

- All wealth belongs to God
- Man is the guardian who receives the wealth in trust
- He has full ownership – to acquire, to use and to dispose – but not in absolute terms
- He has no right to squander, hoard nor harm the rights of others or society
Wealth in Islam (Cont’d)

• Wealth is considered as one of the five items listed as basic needs. The other four are Religion, Self, Intellect and Progeny
• Islam views wealth indirectly as fulfilling one of the five pillars of Islam. This is reflected in the wealth tax (zakat) being the fourth pillar of Islam.
• Islam is against poverty although the Holy Prophet Muhammad (saw) himself adopted frugality in life
Wealth in Islam (Cont’d)

• Wealth can be regarded as public or private. Where the wealth is meant for public, it should not be owned by individuals but should belong to public or society at large.
• Three items are listed as wealth for public namely water, fire and pastures
• The rest can be privately owned
Wealth Management Planning

- Wealth management processes must accord completely with Shariah
- Proper acquisition of wealth
  - No riba or gharar
  - No hoarding, no profiteering
  - Should not devour other people’s wealth (is akin to killing others)
  - Should not give to judges as bait to get them rule in your favour
Wealth Management Planning (Cont’d)

- Preservation and growth of wealth
  - Most asset managers limit their services to this item
  - Focus on maximizing (from conventional perspective) the short-term profitability of financial assets, using so-called Shariah compliant assets and trying to outperform conventional investment portfolios without respect to any of Islamic values
Wealth Management Planning (Cont’d)

- Correct expenditure entails free from waste, extravagance, miserliness
- Expenditure should be confined to what is permissible only and not what is prohibited
- Every dollar or sen will have to be accounted for in the hereafter
- Spending on oneself, one’s family, relatives, the poor, needy etc. are strongly encouraged
Wealth Management Planning (Cont’d)

• Wealth distribution in conventional world starts from my money = what I want to do + taxes to government. Distribution is at the end of the chain
• Islamic wealth management acknowledges the responsibility towards the community and redistribution as key concepts at the very start of the chain and not as an end result.
Wealth Management Planning (Cont’d)

- IWM therefore covers a much broader scope than Conventional Wealth Management (CWM). It addresses the lower and middle class segment and the HNWI.
- The basic responsibility for the poor and the community rests upon the shoulders of every individual (and not upon the government alone)
The Relevant Institutions

• Zakat (Wealth tax)
• Sadaqah (Voluntary alms)
• Qard Hasan (Benevolent Loan)
• Waqf (Charitable endowment)
• Faraid
Conclusion

• IWM has to do with wealth accumulation, preservation and growth, correct expenditure, distribution, much of what is happening today is doing it mainly for the HNWI.
• Shariah compliant equities are not confined to those stocks in the Muslim world but more in the developed world. Investments are now done globally and hence may not meet the criteria of developing the Muslim community.
Conclusion (Cont’d)

How about Islamic business ethics. We know that ethics is a very pertinent part of Islamic behaviour. The means is as important as the end.
Thank you

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