

THE RISE OF ISLAMIC WEALTH MANAGEMENT IN ISLAMIC FINANCE INDUSTRY

By: DR Muhammad Zubair Usmani
Shari'ah Advisor, MCB Bank Limited

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Islam's view on savings and wealth

It is permitted to accumulate wealth with good intentions.

If one wants to accumulate wealth with the intention of

- * Providing for his family after his death,
- * To help those in need,
- * To use the money for making a positive contribution towards the society

Then this act is not only permitted, it will actually be rewarded.

Islam's view on savings and wealth

Allah therefore, in order to save it from getting wasted, has prohibited for wealth to be given in the hands of the un-wise:

وَلَا تُؤْتُوا السُّفَهَاءَ أَمْوَالَكُمُ الَّتِي جَعَلَ اللَّهُ لَكُمْ
 قِيَمًا وَارْزُقُوهُمْ فِيهَا وَاكْسُوهُمْ وَقُولُوا لَهُمْ قَوْلًا مَعْرُوفًا

Give not unto the foolish (what is in) your (keeping of their) wealth, which Allah hath given you to maintain; but feed and clothe them from it, and speak kindly unto them. (Nisa –5)

Islam's view on savings and wealth

And has then said

فَإِنْ ءَانَسْتُمْ مِنْهُمْ رُشْدًا فَادْفَعُوا
 إِلَيْهِمْ أَمْوَالَهُمْ

If you find them of sound judgment, deliver over unto them their fortune.

(Nisa – 6)

Islam's view on savings and wealth

The Prophet (PBUH) has advised for wealth to be saved for one's dependents and not to be squandered away.

Hadith by Hazrat Saad bin abi Waqas

The Prophet (PBUH) came visiting me while I was (sick) in Mecca, I said, "O Allah's Apostle! May I will all my property (in charity)?" He said, "No." I said, "Then may I will half of it?" He said, "No". I said, "One third?" He said: "Yes, one third, yet even one third is too much. It is better for you to leave your inheritors wealthy than to leave them poor and begging others

Islam's view on savings and wealth

The Prophet (PBUH) prayed for Hazrat Anas,

“ O Allah, increase his wealth and family and give it blessing (barkah)”

From the above we can see that wealth, in itself is not an evil thing.

Islam's view on savings and wealth

Once Hazrat Ka'ab mentioned to the Prophet (PBUH) that he wanted to give out charity to atone for his sins, and the Prophet (PBUH) said

“ Hold back some of your wealth (i.e., do not give it all away), this is better for you”

From the above Hadith it can be seen that one should be moderate even in giving out charity.

Islam's view on savings and wealth

However, to accumulate wealth with the intention of ostentatious living and for spending it in ways prohibited by Allah is indeed sinful

The Prophet (PBUH) said:

“Those who possess excessive wealth shall be in peril on the day of Judgment, except those who spent their money such and such and such (i.e. in charity and good deeds)” (Bukhari)

There are examples of numerous well-known and famous Muslims who had great wealth and left a large inheritance upon their death.

Islam's view on savings and wealth

From the above, we can see that Islam intends for wealth to be employed for productive purposes in the economy, but only on lines permitted by Islam; i.e. through fair and honest dealings.

Islamic Wealth Management

Wealth Management in Islam includes:

- 1) Zakat Management
- 2) Inheritance
- 3) Estate Management
- 4) Cash and Savings Management
- 5) Managing Tax

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Islamic Wealth Management

Wealth Management in Financial Industry

- 1) It involves professional management of funds of Institutional Investors (Pension funds, Trusts, Takaful companies etc) and high net worth customers
 - 1) Funds are invested in different Shariah Compliant Investment avenues to meet desired expectation of the investor by keeping in view his risk profile
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Islamic Wealth Management

Wealth Management Stages

- 1) Emergency Funds
 - 2) Protection plans
 - 2) Short term plans
 - 2) Long term plans
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Islamic Wealth Management Options

Emergency Fund Requirement:

Liquid and safe investment options

- 1) Savings Account
- 2) Mutual Funds (Low risk profile)

Protection Plans:

Protection against Calamities

- 1) Health Takaful
- 2) Life Takaful
- 3) Accessories Takaful

Islamic Wealth Management Options

Short term planning (Up to three years): For Life Style goals-Moderate risk options

- 1) Term Deposit certificates
- 2) Mutual Funds (Moderate risk profile)

Long term Planning:

Hybrid or portfolio of low to high risk investment avenues

- 1) Life Takaful
- 1) Term Deposits long term
- 1) Portfolio of Mutual funds (moderate risk to equity funds)

Wealth Management?

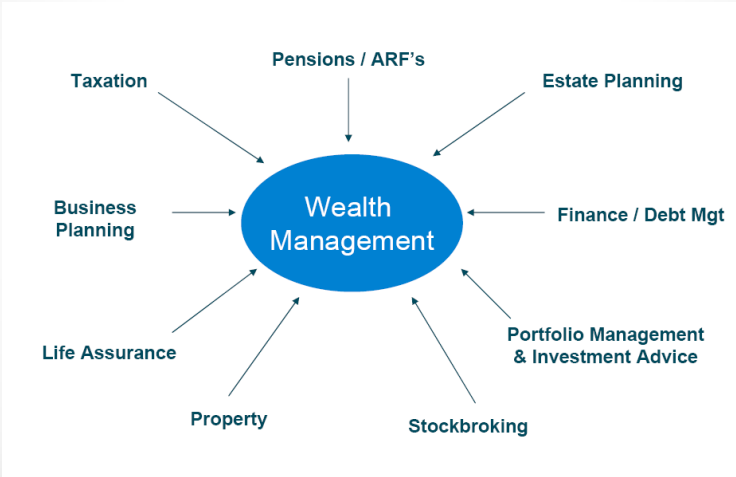
“Coordination of a client’s investment, tax and estate plans into a comprehensive plan to achieve their personal goals”.

“Wealth Management is classified as an advanced type of financial planning that provides individuals and even families with private banking, estate planning, asset management, legal service resources, trust management, investment management, taxation advice and portfolio management. Thus, wealth management encompasses asset management, client advisory services, and the distribution of investment products”

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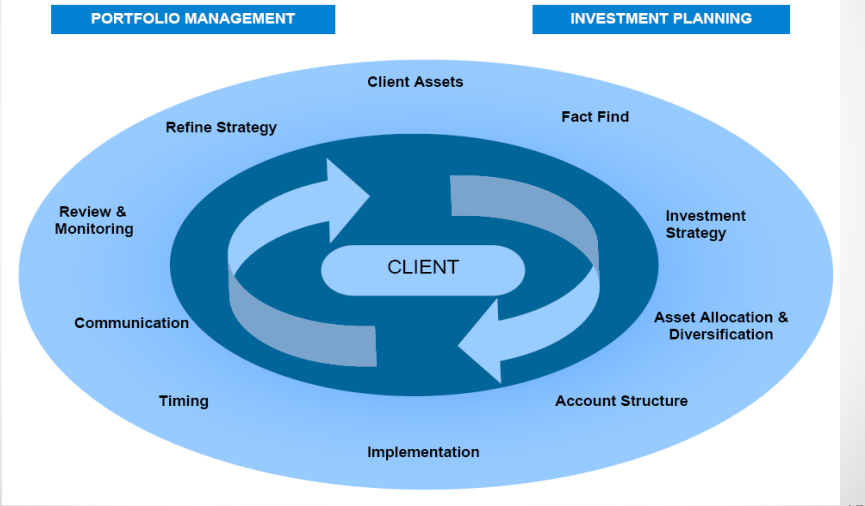
Wealth Management – What is it?



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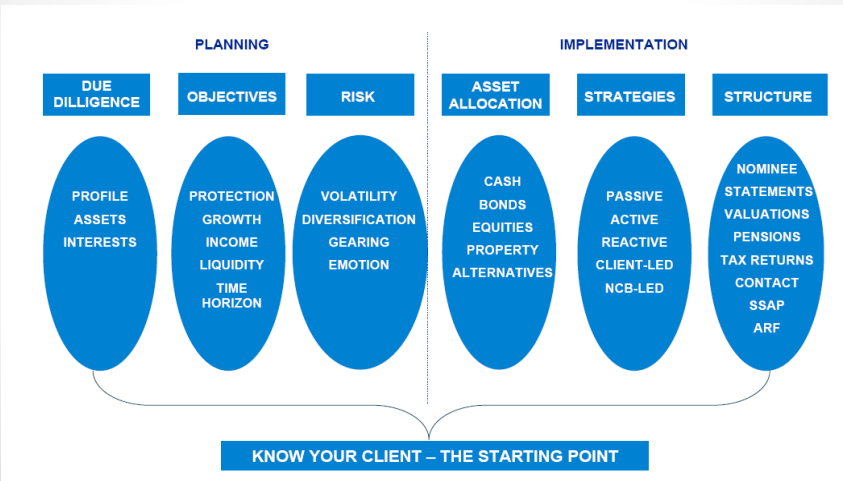
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Wealth Management – What is it?



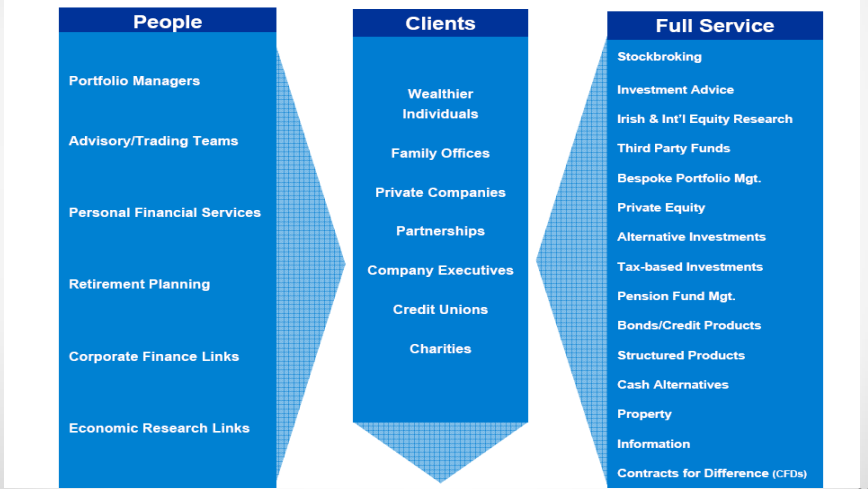
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Wealth Management – What is it?

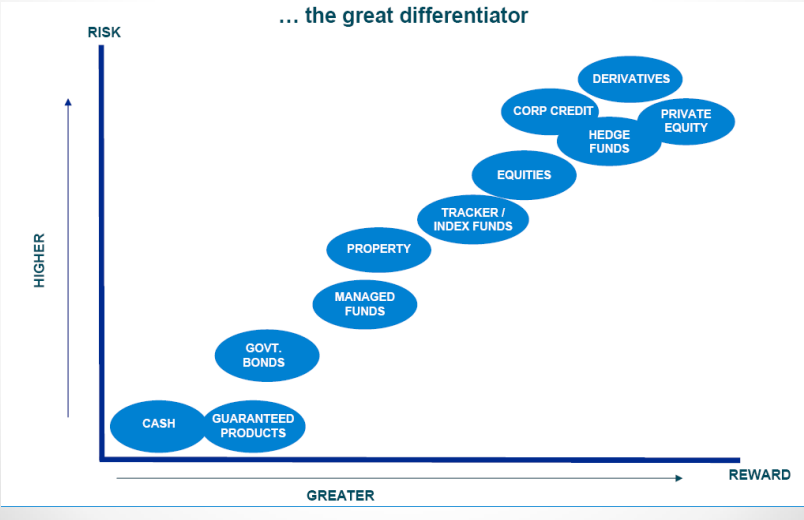


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Wealth Management – What is it?



Wealth Management – What is it?



Wealth Management in Islam

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Tools for Wealth Management

- Islamic Mutual Funds
- Takaful & Bancatakaful
- Sukuk
- Shari'ah compliant deposit products
- Islamic REIT
- Islamic Private Equity

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Global Takaful Contribution

- Global gross Takaful contributions are estimated to reach US\$11b in 2012 (from US\$9.4b in 2011). Saudi cooperatives account for approximately 51% of the global contributions.
- Year-on-year growth has slowed from the 2007-11 of 22% to a more sustainable growth rate of 16%. Although growth potential is high, the various strategic and political issues are dampening the opportunities at large.
- The industry is still growing at 16% per annum

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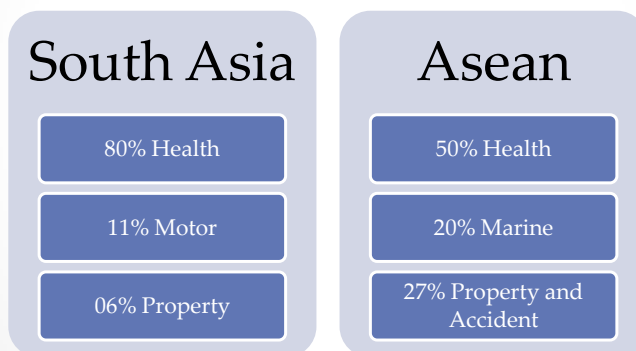
Asean Takaful Contribution

- Asean Contribution share in Takaful Market is 25%
- Malaysia leads in Takaful market contributions, while Indonesia is catching up with rapid growth expansion.
- Malaysia currently holds a 71% share of ASEAN Takaful contributions. In 2012, Malaysia's Takaful industry grew strongly by 21%.
- In the same year, the Indonesian Takaful industry also experienced strong growth at 26%, although from a lower base.

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Key Takaful business lines in major markets

- Family and medical Takaful are the major business lines across all markets



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Financial performance – Investments composition

- While GCC Takaful operators have 25% of their investment in equities,
- Malaysia's Takaful operators have nearly 60% of their investment in Sukuks.
- Saudi Arabia's cooperative insurers and GCC Takaful operators rely heavily on investment in deposits.
- Investment in halal instruments is often a challenge for Takaful operators.
- Malaysia's greater use of Sukuks and deposits is due to its higher focus on family Takaful.

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