



Financial Stability for the Muslim Family

Dr. Main Alqudah



Part of Our Deen

- (اليد العليا خيرٌ من اليد السفلى)
- The upper hand is better than the lower one
- (إنك إن تذر ورثتك أغنياء خيرٌ من أن تذرهم عالةً يتكفون
الناس)
- Leaving your inheritors wealthy is better than leaving them poor, begging people!



First & foremost



Halal Income

- أَيُّهَا النَّاسُ إِنَّ اللَّهَ طَيِّبٌ لَا يَقْبَلُ إِلَّا طَيِّبًا وَإِنَّ اللَّهَ أَمَرَ الْمُؤْمِنِينَ بِمَا أَمَرَ بِهِ الْمُرْسَلِينَ فَقَالَ يَا أَيُّهَا الرُّسُلُ كُلُوا مِنَ الطَّيِّبَاتِ وَاعْمَلُوا صَالِحًا إِنِّي بِمَا تَعْمَلُونَ عَلِيمٌ وَقَالَ يَا أَيُّهَا الَّذِينَ آمَنُوا كُلُوا مِنْ طَيِّبَاتِ مَا رَزَقْنَاكُمْ
- ثُمَّ ذَكَرَ الرَّجُلَ يُطِيلُ السَّفَرَ أَشْعَثَ أَغْبَرَ يَمُدُّ يَدَيْهِ إِلَى السَّمَاءِ يَا رَبِّ يَا رَبِّ وَمَطْعَمُهُ حَرَامٌ وَمَشْرَبُهُ حَرَامٌ وَمَلْبَسُهُ حَرَامٌ وَغُذِيَ بِالْحَرَامِ فَأَنَّى يُسْتَجَابَ لِذَلِكَ
- O people, verily, Allah is pure and He accepts only what is pure. Verily, Allah has commanded the believers with that which He commanded His Messengers. He said: O Messengers, eat from good things and work righteousness, for indeed I am knowing of what you do(23:51); and He said: O you who believe, eat from good things with which We have provided you (2:172).”
- Then he mentioned the case of a man who, having traveled very far, becomes disheveled and dusty and he raises his hands to the sky, saying, “O Lord! O Lord!” while his food is unlawful, his drink is unlawful, his clothing is unlawful, and he is nourished with the unlawful, so how can he be answered?



Be very careful !

لَا يَدْخُلُ الْجَنَّةَ لَحْمٌ نَبَتَ مِنْ سُحْتٍ، وَكُلُّ لَحْمٍ نَبَتَ
مِنْ سُحْتٍ فَالنَّارُ أَوْلَى بِهِ

- A flesh that were nourished unlawfully will not enter Jannah, and each flesh were nourished unlawfully deserves none but the Hellfire



No excuse

- living in a non-Muslim country does NOT free Muslims from the obligation of finding Halal source of income
- Be careful, the following *Fatwa* is NOT correct :
 - التعامل بالعقود الفاسدة بين المسلم وغيره في دار الحرب
مباح!
- Dealing in void transactions between Muslims and non-Muslims in (the land of war) is permissible



Educate yourself

- Ask people of knowledge
- Read Fatawa of the Fiqh Council of people who have been living in the US for a long time:

- www.amjaonline.org

- *Careers in Between Permissibility and Prohibition*

- ما يحل ويحرم من المهن والأعمال والوظائف



For Example

- Working with the Media: editor, reporter, journalist, actor 😊 , photographer,....etc
- Information Technology (IT)
- Interest – based institutes: Credit & Mortgage companies, and conventional banks
- Insurance companies
- Tax services or working for the IRS
- Accounting



And more

- Court of Law: attorney, public prosecutor, judge
- Engineering
- Real estate
- Convenient stores & restaurants
- Taxi driver
- Car dealership.



Easy to repent

- Immediate quit from a Haram job is not necessary for the acceptance of one's repentance *IF* he is desperately in need for that job.
- However, he can take what he needs only.
- Dependants can spend from the Haram money based on their need.



More good news

After repenting:

What is the status of money
generated from Haram sources
before repentance?



Old Transactions

- (...وأحلّ الله البيع وحرّم الربّيا ، فمن جاءه موعظة من ربه فانتهى فله ما سلف و أمره إلى الله...)
- “So whomever receives an admonition from his Lord and stops taking *Riba* shall not be punished for the past, his case will be judged by Allah. But whomever returns to *Riba*, such are the dwellers of the fire.”



Current Transactions

(وإن تبتّم فلكم رؤوس أموالكم لا تظلمون ولا
تُظلمون)

- (...and if you repent, then you should take back your capital only, without oppressing others or being oppressed by them).



Do's & Don'ts List

General Advices

for

Individuals

&

Investors



Keep Enough Cash

- Even if you are not worried about losing your job
- Six to nine months of living expenses is sufficient
- With extra cash available, you can avoid selling investments to pay for expenses in an emergency



Invest Internationally

- Index of international stocks went down 43% since the financial crisis , yet, it is better than investing locally.
- Both are now recovering
- The long-term economic fundamentals (like those of China) look better than those of the U.S.



Diversify Your Investments

- Don't try to pick one winning investment.
- Putting all your money in one stock is dangerous at a time when a company's bankruptcy can completely wipe out the value of its shares.
- Balance your portfolios between different stocks, with shares in various types of companies.



Live Below Your Means

- Investing for the future is only possible if you have some money left over at the end of each month to put aside.
- So, save some money by reducing your expenses.



Pay off Expensive Debts

- If you are involved in any interest-bearing loan;
- Start with those with high rates or those for which interest is not tax-deductible.
- The avoidance of interest will likely save you more than your investments would have earned.
- Credit-card debt is so expensive that most planners say it is always the first thing people should pay off.



Track Your Spending

- It's very easy to lose sight of where your funds are spent.
- Break down your monthly budget;
- Merchandise, dining, groceries, entertainment, gas/automotive, car rental, lodging, utility bills, professional services, healthcare, etc.
- Prioritize your future spending based on the above.



Review Your Credit Report

- Policymakers are eager to revive the housing market.
- Mortgage rates started dropping significantly since 2009/2010.
- That could be a great opportunity to refinance your mortgage in a *Sharia-Compliant* way if you have a solid credit score.
- Check your credit report for any errors now.



Check Out Your Financial Adviser

- Don't just pick a broker or planner out of the yellow pages!
- Ask advisers about their qualifications, certifications, and educations.
- Look them up in online databases that track complaints against planners.
- **FINRA** (*Financial Industry Regulatory Authority*)'s Broker Check is a good place to start.



Make Sure Your Investments are Safe

- In case your bank or broker should fail, make sure your bank accounts are covered by insurance from the Federal Deposit Insurance Corporation (FDIC), and your brokerage accounts by the Securities Investor Protection Corporation (SIPC).



Don't Try to Predict the Future

- Financial advisers often hear from clients who would like to sell stocks now and then buy again when the market hits bottom.
- How do you know when that will be?



Don't Stop Contributing to 401(k)

- Usually, people like to invest when the market is flying high, and refrain when it is down.
- More money could be made at the bottom of a market than at the top!
- Take advantage of any match your employer offers for retirement fund contributions.



Don't Make Sudden Moves

- Refrain from making extreme changes to your portfolio just because the financial markets are unstable.
- Investment decisions based on emotion or fear are likely to lose money.
- It is better to ignore the day-to-day news and follow a long-term investing plan.



Don't Give up on Stocks

- Historically, some of the best periods for stock market returns have been during depressing economic times.
- Although investors approaching retirement shouldn't risk too much money in unpredictable equity markets, investing in the stock market is one of the best options.



Don't Pay High Management Fees

- It doesn't only matter how much your investments earn
- It is also important how much you get to keep after trading costs and fees paid to financial advisers and fund managers.
- When market returns are small or nonexistent, even a 1% or 2% management fee can hurt.
- Check out offerings from traditionally low-cost fund companies.



Don't Follow the Herd

- Do your own thinking and don't allow yourself to be panicked into taking an action you'll regret
- Be fearful when others are greedy, and be greedy when others are fearful.



Don't Forgo Necessary Insurance

- You can save some money by increasing your car insurance deductible or, home insurance (reducing your premium).
- But you could also be left penniless after a serious emergency!
- Full coverage isn't always necessary, but make sure you're protected in a worst-case scenario.



Don't Invest in Anything You Don't Understand

- The financial crisis in 2008-2009 has demonstrated the dangers of too much complexity in the investing world.
- If your adviser or broker can't adequately explain an investment in a few sentences, maybe it's not for you!



Bank-Free Financing

Different Islamic
Modes of Finance

For

Business People



1st Alternative: *Mudharabah*

- Equity-based mode of Finance:

Trustee Partnership, or *Mudharabah*: The investor provides the capital and its customer manages the business.

- Profit is shared in a pre-agreed ratio.
- Loss is totally borne by the investor/financier



2nd Alternative: *Musharakah*

- Equity-based mode of Finance:

Joint Venture, or *Musharakah* : The investor and its customer pool their capital to undertake the business.

- Both parties are entitled to manage the business, but not obligated to do so.
- Profit is shared based on pre-agreed ratio.
- Loss is shared based on their proportionate of capital.



3rd Alternative: *Diminishing Musharakah*

- Equity-based mode of Finance:

Declining Musharakah: Its aspects are like the original Musharakah, except for one aspect;

- The customer's profit is used to redeem the investor's equity share in the partnership-based business.
- Consequently; the customer owns 100% of the business.



4th Alternative: *Murabahah*

- Debt-based mode of Finance

Installed-payment sale, or *Murabahah*: Upon the customer's request;

- The investor purchases an asset from the vendor.
- The investor sells the asset to the customer on a cost- plus basis.
- The customer installs his payments for a predetermined period of time.



5th Alternative: *Ijarah*

- Debt-based mode of Finance

Lease or *Ijarah*: The leasing of an asset by the investor to its customer.

- Upon the client's request, the investor buys the asset from the lender, then leases it to the customer.
- In return, the lessee pays the pre-agreed periodic lease payment
- By the end of the lease contract, the bank transfer the possession of the asset to the lessee.



6th Alternative: *Istisna'a*

- Debt-based mode of Finance

Manufacturing-Sale, or *Istisna'a*: The investor develops or manufactures an asset based on the customer's request.

- The client clearly specifies of the asset.
- The investor engages a manufacturer to develop or manufacture the asset.
- The investor then sells the asset to the client.



Halal Stock Market

Different Options

For

Investors



Avoid: Collateralized debt obligations (CDO)

- Financial products or a type of structured asset-backed securities whose value and payments are derived from a portfolio of fixed-income generated from underlying assets (commodities, stocks, residential mortgages, commercial real estate, loans, or bonds).



Avoid:

United States Treasury Security

- Is a government debt issued by the U.S. Department of Treasury through the Bureau of Public Debt.
- Treasury securities are the debt financing instruments of the United States Federal government.
- They are often referred to simply as (Treasuries or T-Bills)
- They could be bills, notes, or bonds (different maturities)



Avoid: Derivatives

- Another kind of financial instrument.
- Their values are derived from the value of the underlying assets.
- Credit derivatives are based on loans, bonds or other forms of credit.
- The main types of derivatives are: forwards, futures, options, and swaps.



Example of Derivatives

- **Credit Default Swap (CDS)** is a credit derivative contract between two counterparties. The *buyer* makes periodic payments to the *seller*, and in return receives a payoff if an underlying financial instrument defaults.
- CDS contracts have been compared with insurance because the buyer pays a premium and, in return, receives a sum of money if one of the specified events occur.



Avoid: Leverage Fractional Reserve

- Borrowing money to supplement existing funds for investment in such a way that the potential positive or negative outcome is magnified and/or enhanced.
- A line of credit will be given to the investors, 99% more than we he deposited!
- This creates artificial & digital money only.



Avoid: Some Stocks

- Possession or even transacting with stocks of companies who conduct prohibited business (obscene, alcoholic, tobacco, or gambling materials, conventional banks, casinos, mortgage, insurance companies, musical instruments, ...etc) is prohibited.



Avoid: Some Stocks ... Cont

- Stocks with high debts vs. assets, or with high percentage of Riba or any other Haram activities involved.
- Going with the MINIMUM percentage of Haram involved in stocks is OK (medical supplies, automotive, chemicals, IT, education,...etc)
- Any security or financial instrument that guarantees profit is not allowed too (CD, annuity, saving accounts, stable value fund,.....etc)



How to Determine ?

- **Socially responsible investing (SRI)**, also known as sustainable, socially conscious, "green" or ethical investing, is any investment strategy which seeks to consider both financial return and social good
- Some avoid businesses involved in alcohol, tobacco, gambling, pornography, weapons, and/or the military. The areas of concern recognized by the SRI industry can be summarized as environment, social justice, and corporate governance



Islamic (SRI)

- Azzad Fund
- Amana Fund
- Islamic Dow Jones
- Supposedly 😊 they abide with all the restrictions mentioned above.
- They limit their (mutual fund) to stocks of companies with Halal core business.



Examples

Halal

- Air Transport
- Auto parts
- Automotive
- Chemicals
- Electronics
- Engineering
- Educational Services
- Biotechnology
- Healthcare Information

Halal

- Drugs(medicine)
- Electric Utility
- Electrical Equipments
- Environmental
- Heavy Trucks
- Home Building
- Household Products
- Human Resources
- Medical Supplies
- Metal Fabricating



More Examples

Halal

- Medical Services
- Oil Field Services
- Oil/Gas Distribution
- Packaging & Container
- Paper/Forest Products
- Petroleum Producing
- Pharmacy Services
- Natural Gas

Halal

- Power
- Property Management
- Water Utility
- Wireless Networking
- Telecommunication :
Equipment / Utility/
Services
- Pipeline MLP



Investing In (401)K Plan

Not an option:

- 1- Stable Value Fund (saving account), (certified deposit)
- 2- Balanced Fund (50% stocks,50% bonds)

Options:

- 1- Exclusive stock Fund
- 2- International Stock Fund
- 3- Employee Stock Ownership Plan (ESOP)



529 Education Plan

- Same as 401(K) and any other pension plan or retirement account.
- Stocks are the only options.
- Diversify your selection, even within (stocks) option.
- Do not put all eggs in one basket



Student Loans

- In the United States, there are two different kinds of student loan:

A- Subsidized Loan

The government pays the interest on the loan while the student is in school, during the six-month grace period, and during any deferment period.

Subsidized loans are awarded based on financial need.



Student Loans Cont ..

- Subsidized loan is allowed as long as the student:

1- Tried all other options:

Grants, scholarships, financial aids, and work study.

2-Needs the loan.

3 - Tries his best to pay the loan off during the grace period.

Failure in paying in full before the due date will convert the loan into an interest-loan from the date the loan was disbursed



Student Loans Cont ..

- **B-Unsubsidized Loan:**

An unsubsidized loan is a loan for which the government does not pay the interest. The borrower is responsible for the interest on an unsubsidized loan from the date the loan is disbursed, even while the student is still in school.

Students may avoid paying the interest while they are in school by capitalizing the interest, which increases the loan amount.

Unsubsidized loans are not given based on financial need



Student Loans Cont ..

- **Higher education** in the west is a necessity based on the following definition:
- **الضرورة:** ما يلحق المكلف ضرراً بتركه ولا يقوم غيره مقامه
- **Necessity:** What lacking it causes harm, and has no alternative.
- The above is different from the traditional one:
- **بلوغ الإنسان حداً إن لم يتناول الممنوع هلك أو قارب**
- Reaching a situation in which refraining from taking/using what is prohibited ruins one's life, or most likely causes so.



Student Loans Cont ..

- AMJA has an official declaration in this regard:
- *The default is the forbiddance of interest-based..... then this is considered an urgent necessity that removes the sin even though the ruling of impermissibility remains.*
- Go to www.amjaonline.org and read the whole Fatwa



Life Insurance

- There is a semi-unanimity between contemporary scholars & Fiqh Councils regarding the prohibition of any kind of commercial insurance.
- Commercial insurance is prohibited for the following defects:



Why Commercial Insurance is Prohibited in General ?

1- **Uncertainty** : The occurrence of the incident is not confirmed
الغرر: ما لا يُعلم حصوله من عدمه

2- **Ambiguity** : The occurrence of the incident is guaranteed, but details are unknown.

الجهالة : ما عُلم حصوله وجُهِلت صفته

3- **Riba**: For the life insurance only:

The premium is much less than the compensation when the incident occurs. (currency exchange with inequality) .



However

- Life insurance could be permitted :
- (يغتفر في التابع ما لا يغتفر في غيره)
- (A void transaction is overlooked when it is included in another valid transaction).
- If the life insurance is offered as a part of the package in an employment contract, then it allowed because of the reason listed above.



Other Commercial Insurances

- **Permitted as needed only:**
- Health insurance (even if it is private)
- Business insurance
- Liability insurance for vehicles.
- House insurance in flood zone area.
- Roadside assistance
- Warranty



Governmental Insurance

- **Permitted by default:**
- Social Security
- Supplemental Social Income
- Medicaid
- Medicare



Thank you

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