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ABOUT ME

Hijazi is my name.

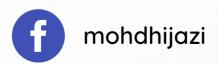


I was a life insurance and investment financial adviser. I was a full time practicing representative since 2004 and was licensed to advise on insurance and investment planning.

I had been featured in financial documentaries, giving opinions on issues relating to investing and retirement. I had given seminars and workshops to government agencies, institutions and the general public on diverse topics related to financial planning. In 2017, I left the financial advisory industry to pursue my passion.

I have a deep interest in sharing sound and ethical financial ideas & frameworks that are practical and aligned with your values. Above all, in pursuing a blessed wealthy and healthy life.

You may also email me at hijazi@thebarakahpeople.com



WHAT THIS BASIC INVESTMENT GUIDE IS FOR

This is an educational material.

I am not profiting from its intended publication in any sort. The materials and contents produced are derived from credible sources and citations.

I have respectfully placed the sources by which the contents were derived from. The materials are either reproduced in full or in portions, as I deem suitable for reference.

Apart from the cited references, any other contents and materials are strictly and personally mine. Portions of my personal blogs, articles and publications are cited here.

This super basic read is for those of you who had been exposed to all the financial ads jamming up your Facebook and Instagram feeds. The ones that try to choke you with jargons and misleading concepts about Muslim based, Muslim friendly, ethical and shariah compliant investments. I want you to be a learned prospect or client.

This read is for you to go through before you meet a financial planner.

Ignorance can be a heavy price.

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WHY DO INEED FINANCIAL PLANNING 1 2 3

There are many reasons that make financial planning a necessary element in your life.

Primarily, a majority of your life's goals and benchmarks are significantly associated with a financial value. Therefore, it creates the importance of carefully outlining a workable plan or strategy ,to best achieve the desired outcomes .Financial planning also ensures that you take into consideration, several stages in your life which will require financial commitments of various magnitudes.

Stages such as parenthood and retirement are but a few examples, that require you to be financially prepared to meet its demands. Financial planning also allows you the needed organization to stabilize the various financial facets of your life.

In principle, a sound financial planning will ensure that the holistic aspects of your life are taken care of.

Financial Planning as a Muslim

Taking care of properties, the welfare of your family and the goodwill of your community are obligations tasked to a Muslim. A sound financial planning will help in making sure that you will be able to meet these obligations.

There are various facets of the Deen that also requires its followers to be able to manage their wealth so that they may fulfill its obligations. Examples include the fulfillment of Zakat and Hajj.

Both requires the efficient management of an individual's wealth.

HOW CAN I GET MY SELF STARTED ON FINANCIAL PLANNING. Q W E R T Y

If you are already asking this question, it proves that you are already seeking for a viable solution for your financial queries. The primary task that you will have to do, is to source out for a Financial Planner.

Like a good doctor, a good financial planner is crucial in helping you get started.

A good financial planner will assist you in identifying all the various areas you will need to look at. Getting hold of a good financial planner can be hard and tedious, as you will not know of their ability until you've engaged them.

HOW CAN I GET MY SELF STARTED ON FINANCIAL PLANNING WERT

Here are a few tips you may want to consider when looking for one,

- Ask around. There is a good chance that members of your family or friends, have engaged the services of a financial planner. Ask for the review of their financial planners, and see if there are any worth shortlisting down.
- Engage the help of financial institutions to recommend you their best financial planners.
- Look for a financial planner who have been in the business for quite a while.
- Where possible, get a financial planner who practices the same faith, like for example, a Muslim planner if you are a Muslim. This ensures that he will be equipped with the necessary knowledge to aid you with financial terms pertaining to specific laws.
- Get a feel of the financial planner's personality and see if it fits yours .Ensure that the financial planner has been professionally certified in the various fields of the business.
- Ask for testimonials and references if you need, with regards to the financial planner's clients or nature of business.

HOW CAN I GET MY SELF STARTED ON FINANCIAL PLANNING Q W E R T Y

There are many other factors that may help you in getting a financial planner. But, I strongly stress that the prerequisite of establishing trust, as the main determining factor in you considering a financial planner.

This ensures that the financial planner has a level of integrity, you can count on for many years to come. Once you have engaged the financial planner, you can then get started on the needed basis of financial planning. The financial planner will typically go through a process, to help him determine the areas in which you require his assistance. The process are as follow, in a typical situation:

HOW CAN I GET MY SELF STARTED ON FINANCIAL PLANNING. Q W E R T Y

- Fact Finding
- Financial Planner Discovers Your Area Of Needs
- Financial Planner Reviews And Comes Up With Possible Solutions
- Financial Planner Presents Solutions To You
- Selection Of Appropriate Solution
- Committing To The Solution

This is a typical scenario on how you will get started on Financial Planning.

RISK PROFILE BEFORE YOU INVEST

Different people are willing to accept different levels of risk. Some investors are comfortable investing in high-risk high-return stocks where they could lose much of their investment, for example, while others wouldn't possibly consider such risky investments and would sleep well only if their money is safer.

It is also important to realize that your risk profile affects how much money you may accumulate, because there is an inverse relationship between risk and returns.

Aggressive investors who take more risk can earn higher returns over the longer term, while more conservative investors may give up some of the upside potential of their investments in order to avoid losing money.

source: https://www.todayonline.com/singapore/are-you-conservative-or-aggressive-investor-find-out-your-risk-profile-you-invest

RISK PROFILE BEFORE YOU INVEST

Every investment bears risk. In some cases, you could lose some or all of the money you invested. In other cases, you may have to bear market price fluctuation. Then, there are cases where you lose income or return on investment. Your willingness to accept risk should take into account:

Your current and future commitments. If you have immediate needs, you should invest in liquid and low-risk assets such as Singapore Savings Bonds.

<u>Your investment horizon.</u> The longer your investment horizon, the more time you have to ride out market fluctuations and grow your investment.

How much investment capital you can afford to lose. If your investment suffers a loss, consider how it will impact your commitments, such as loan repayments and your future goals.

As all investments carry risk, you should consider the riskreturn tradeoff before deciding on an investment. Generally, the higher the potential returns, the greater the risk.

source:

https://www.moneysense.gov.sg/articles/2018/10/managing-investment-risk

STOCKS

Stocks or Shares represent an ownership of a company or a Business in terms of units. A company offers its shares to raise capital for reasons such as to grow its business, acquire new assets or to remain solvent.

When you buy a company's shares, you become an owner (Shareholder) of the company. A company that is doing well or profitable, will distribute its profits to the shareholders in a form of Dividends and high chance of Capital Gains too.

But in a worst-case scenario, a shareholder may lose up to the amount invested in the company.

STOCKS

SHARIAH-COMPLIANT STOCKS

There are 2-Tier Screening approach to be carried out to ascertain which company stocks does not violate the shariah principles in terms of Business Activities and Financial Ratios. Such independent screening is carried out by Yasaar Ltd, an organisation with expert Shariah scholars.

A new Shariah-Compliant Index (a statistical measure for tracking economic data), the FTSE ST Singapore Shariah Index has been launched by FTSE Russell and will track Shariah-Compliant companies listed on Singapore Exchange (SGX). Stocks that are filtered out from the new index are companies that does not fulfil the 2-Tier Screening criteria.

UNIT TRUST

Unit Trust is a fund managed by a fund manager where multiple investors pool their money in and then channels it into different assets such as Equities, Bonds or a mix of both. The fund manager will actively buy and sell the assets to generates higher return, in return there will be fees charged for his or her service.

Unit Trust lowers the risk of investment by diversifying your money into different companies across different sectors, countries or regions. Similar to stocks, some funds give dividends and chances of capital gains.

Investment-Linked Policy (ILP) is another way to invest in funds while getting protected where premiums are used to pay for buying units in subfunds of your choice, and some units are then sold to pay for insurance and other charges.

UNIT TRUST

SHARIAH-COMPLIANT FUNDS

There are over 500 Unit Trust available in the market, but only a handful of them are Shariah-Compliant in Singapore.

Majority of these Shariah investment funds below are Equity-based (Stocks), and very limited access to Sukuk fund (the Islamic equivalent of Bonds) and other Non-Equity based fund.

REAL ESTATE INVESTMENT TRUST (REITs)

Similar to Unit Trust, but the pool of investors' money will be invested in a portfolio of Income Generating Real Estate Assets instead such as Shopping Malls, Offices, Hotels, etc. These assets are professionally managed and revenues generated; primarily rental income are normally distributed to REIT holders after deducting some fees.

REAL ESTATE INVESTMENT TRUST (REITs)

I-REITS (ISLAMIC REITS)

There are 2 main categories for REITs which are:

- (a) REITs that are deemed to be shariah-compliant at source ;Such REIT has no risk of going in and out of compliance as they have their own shariah committee to ensure that they maintain the compliant status throughout.
- (b) REITs that are not shariah-compliant at source but deemed to be so after fulfilling the 2-Tier screening filters Business Activities and selected ratios. With the 2-Tier Screenings, there is a possibility that some may become non-compliant in the future as business focus or selected ratios change. Likewise, REITs that may not be shariah-compliant previously, may be compliant in the future.

In this case, any REITs contained within a Shariah Index will be automatically considered as shariah-compliant.

INVESTMENT LINKED POLICY (ILP)

What it is Investment-linked insurance policies?

(ILPs) are policies that have life insurance coverage and investment components. Your premiums are used to pay for units in one or more sub-funds of your choice. Some of the units purchased are then sold to pay for insurance and other charges, while the rest remain invested. ILPs provide insurance protection in the event of death or if included, total and permanent disability (TPD).

Depending on the policy, the death or TPD benefit may comprise the higher of the sum assured or the value of the units in the sub-fund at that point in time or some combination of the two. The value of these units depends on their price, which in turn depends on the sub-fund's performance. This is why ILPs usually do not have any guaranteed cash values.

source: https://www.moneysense.gov.sg/articles/2018/10/understanding-investment-linked-insurance-policies

INVESTMENT LINKED POLICY (ILP)

Types of ILPs

ILPs can be classified into two categories:

- Single-premium ILPs You pay a lump sum premium to buy units in a sub-fund. Most single premium ILPs provide lower insurance protection than regular premium ILPs.
- Regular premium ILPs You pay premiums on an on-going basis. Regular premium ILPs may allow you to vary the level of insurance coverage you need.

INVESTMENT LINKED POLICY (ILP)

Consider if an ILP is suitable for you:

ILPs are better suited for those with a longer investment horizon to ride out market fluctuations and defray initial costs which can significantly limit short-term potential returns.

The insurance coverage between ILPs differ. Some are more investment-oriented with very little insurance coverage, whilst others will allow you to set the level of coverage that you require. Do note that the more you are covered for, the more units will be needed to pay for the coverage and that leaves less units to be invested.

Do consider whether you can keep up with the premiums if you no longer earn an income .Do compare investing through an ILP against investing in other investment products. In some cases, the sub-fund that you are interested in may also be offered as a unit trust (i.e. without insurance coverage).

source: https://www.moneysense.gov.sg/articles/2018/10/understanding-investment-linked-insurance-policies

UNDERSTANDING

INVESTMENT LINKED POLICY (ILP)

Common risks associated with ILPs include the following:

Investment risk:

- The returns are not guaranteed. The value of an ILP depends on how the subfunds perform.
- Do not rely on the past returns of a subfund as an indication of its future performance.

SHARIAH COMPLIANT FUNDS

Shariah-compliant funds are investment funds governed by the requirements of Shariah law and the principles of the Muslim religion. Shariah-compliant funds are considered to be a type of socially responsible investing.

Shariah-compliant funds have many requirements that must be adhered to. Some of the requirements for a Shariah-compliant fund include the exclusion of investments which derive a majority of their income from the sale of alcohol, pork products, pornography, gambling, military equipment or weapons. Other characteristics of a Shariah-compliant fund include an appointed Shariah board, an annual Shariah audit and purifying certain prohibited types of income, such as interest, by donating them to a charity.

source: https://www.investopedia.com/terms/s/shariah-compliant-funds.asp

SHARIAH COMPLIANT FUNDS

These rules can add complexity and costs to the management of a Shariah-compliant fund. For example, Shariah boards are constituted of Islamic scholars whose fees can run into millions of dollars per year, adding to the overall cost of managing the fund. The scholars have varying interpretations of Islamic law, making it difficult and time-consuming for them to arrive at a consensus for analysis and implementation regarding a particular course of action.

SHARIAH COMPLIANT FUNDS

Shariah-compliant funds are investment funds that comply with Islamic law. They are different from conventional investment funds because they have many requirements, such as appointment of a Shariah board and prohibition from investing in companies that derive a majority of their income from sale of alcohol, pork products, gambling etc.

BEWARE

OF FINANCIAL ADVISORS WHO DO & SAY THE FOLLOWING

- Does not ask you to do the Risk Profiling Questionnaire.
- Insinuates/asks you to answer the questionnaire without explaining
- Pushes you towards a certain risk profile
- Recommends a certain risk profile so that you can purchase the plan or funds.
- Recommends a certain fund that is not congruent to your risk profile.
- Requests you to write that you not agree with the result of the questionnaire.
- Proceeds to recommend you funds that do not fit your risk profile, citing reasons such as "ethical funds, shariah compliant funds, Muslim friendly funds, etc".
- Keeps highlighting managed funds returns in the presentation.

BEWARE

OF FINANCIAL ADVISORS WHO DO & SAY THE FOLLOWING

- Insinuates/recommends a certain budget allocation for the proposed solution.
- Highlighting other clients' investment performances as an indicator of future performances.
- Does not explain the incurred fees and charges that are stipulated with the proposed plan and its funds.
- Does not address the options of free look, implications of early withdrawal/surrender and options of funds switches.
- Insists on certain premium payment modes as investment strategies.
- Does not consider budget allocation in your premiums proposal.
- Does not provide you with the actual name of the proposed plan.
- Does not provide you with the funds' names in which you are investing in.

BEWARE

OF FINANCIAL ADVISORS WHO DO & SAY THE FOLLOWING

- Does not provide you with the funds' prospectus/factsheets.
- Pushy in proposing a certain typed of plan ie; Investment Linked Policy (ILP).
- Offers to pay a portion of your premiums.
- Attempts to represent plan as a different name/concept.
- Presents unrecognized/unverified funds prospectus/factsheets.

The list of precautionary aspects as presented are not exhaustive and explicit.

As a consumer, you are advised to exercise discretionary precautions against malpractice in any financial advisory processes and consultations.

FAQs

You Should Clarify With Your Consultant

- Are the funds that are proposed to me, "Shariah Compliant" with the proper and certified endorsements and approvals? If so, can you provide me with the names of the funds manager and the latest shariah panel endorsements/approvals?
- Are the investment strategies you are sharing are that of your own, or are they endorsed by a financial institution/investment advisory firm/funds management firm?
- Are the funds that are proposed to me as "Shariah Compliant", stay as such for a period of time. If there are changes to its status/objectives/fund managers, what then will be my alternatives?

FAQs

You Should Clarify With Your Consultant

- How long am I required to keep the policy?
- What happens if I am unable to service the premiums on the policy?
- Why am I needed to pay a stipulated amount of premiums? Why is there a minimum premium amount?
- Who will monitor and advise me on the funds' performances and what is the regularity of having my policy and its performances reviewed?
- What if I need to access my policy's cash values after a period of time? Are there any charges imposed?



You Should Clarify With Your Consultant

- What are your options for me in the event that the investment market takes a drastic turn for the worse?
- How do I make a surrender/withdrawal on this policy and how long will it take?
- What if I decide to change my risk profile in the near to mid term of the investment horizon?
- Are you personally invested in the same policy that you proposed to me?



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You may wish to seek advice from a financial adviser before making a commitment to undertake any decisions or purchase the product. In the event that you choose not to seek advice from a financial adviser, you should consider whether the product in question is suitable for you.