

Islamic Wealth Management Theory and Practice

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- Title** : Islamic Wealth Management Theory and Practice
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Islamic wealth management is a fast-growing sector in the Malaysian financial services industry. One challenge for practitioners and academicians is the availability of reference books in the area. One book that fills this gap is *Islamic Wealth Management Theory and Practice*. This book is the first to lay out a coherent framework on how wealth management should be conducted in compliance with Shariah principles.

19 writers, all prominent names in the area of Islamic finance, contributed to the contents of the book. They are Syed O. Alhabshi, Mohamed Ariff, Gülsüm Ç. Dolgun, Muhammed H. Dolgun, John Farrar, Mohamed A. Gadhoun, Farrukh Habib, Mazen El Khatib, Ahcene Lahsasna, Ziyaad Mahomed, Abbas Mirakhor, Shamsher Mohamad, Magda I.A. Mohsin, M.

Eskandar Shah Rasid, Shaikh.A. Razak, Saiful A. Rosly, Zukkarnain M. Sori, Jamaliah Abdul Tahir and Adelina Zuleikha.

The book is arranged in five critical parts, which make it easy for even a newcomer to the Islamic wealth management industry as it provides a comprehensive picture of Islamic wealth management. It presents most of the critical issues pertaining to the practice and theory of Islamic wealth management. The different sections of the book contain relevant chapters discussing the theory, the application and the challenges in Islamic wealth management in real and financial markets. It may come as a surprise to some that the principles of Islamic wealth management bear similarities to Christian and Hindu principles.



Part I

Part one of this book provides the definition of wealth both from the Islamic and secular perspectives, and concepts of Islamic wealth management. Readers will be able to relate the economics and finance with the right understanding of wealth itself. The book explains how wealth needs to be earned in Islamically lawful ways, and that it needs to be preserved and used to benefit and to ensure the well-being of the community. A small part of the wealth must be given away to charity, and the remainder managed in compliance with Shariah laws and common practices, as established by a majority consensus of Shariah scholars. The use of wealth for the benefit of the community is totally different as compared to the conventional perspective but this is not in contradiction with Christian and Hindu perspectives.

The definition and purpose of Islamic wealth management, which is to benefit the community and not just oneself as clearly stated in this part of the book will help Islamic wealth management practitioners to make their clients understand the step undertaken to manage their wealth accordingly.

This part also shares with the readers as to what the proper structure of Islamic wealth should be and provides some suggestions for improvement. This part also provides a discussion on the development of the wealth management industry, enabling readers

to understand the issues currently faced by the sector, particularly in relation to the Shariah compliance of virtual assets and transactions.

Some Islamic wealth management practitioners shy away from exploring into the appropriate structure as they themselves are not clear about how to bring the theory into practice. The structure is explained using diagrams and suggesting improvements, making understanding much easier.

Part II

The second part of this book gives the reader an understanding of the governance framework, as without proper governance, the Islamic wealth management theory may not be able to be put into practice. AAOFI standards have played a big role in making the theory of Islamic wealth management practical and doable. This part of the book also talks about the importance of the laws enacted by governments to help spur Islamic Wealth Management practice and at the same time help the country to grow.

Even though the opportunities are aplenty in the Islamic Wealth Management industry, the challenges are also many. This part of the book talks about the movers of the industry, among whom are Tun Dr Mahathir Mohamad and Professor Ahmad Mohamed Ibrahim. Without their contributions, Malaysia may not be the leader it is today in the Islamic Wealth

Management fraternity. With their contributions, Malaysia is today the leader in Islamic Wealth Management, and is the biggest sukuk issuer in the world with more the half of global sukuk to date.

Part III

In the third part, readers will most likely learn the most as this part will help them understand how they can help their clients and themselves create wealth. Since wealth creation and the financial market are interrelated, readers will be able to understand more of the functions and roles of the various institutions in the financial market and readers can make use of that knowledge to create more wealth for their client or themselves.

As stated, the functions and roles of sovereign wealth fund institutions are discussed thoroughly in this part. Readers will be able to appreciate the roles played by Khazanah in Malaysia and several other sovereign wealth fund institutions all over the world. Some readers may be surprised to learn that according to the data shared in this book, the size of sovereign wealth funds owned by Islamic countries dwarf the sovereign wealth funds of Western countries in comparison.

Benchmarking is another challenge practitioners need to look at as Islamic financial institutions should not use the conventional interest-bearing

system such as LIBOR as a benchmark. The writers do suggest using real performance recorded in Islamic economies as the real benchmark but when this can happen still depends on the take of the players globally.

Understanding the strategy of sovereign wealth funds may help readers plan their own strategy much better to grow their clients' and their own wealth.

Part IV

Wealth preservation and protection are very critical in Islamic wealth management. If one cannot protect their wealth, the future generation may be in a dire state. Thus wealth protection is discussed in this part, which also highlights the function of takaful and the challenges faced by takaful. Certain customers require wealth managers to provide big sum cover and some takaful companies may not be able to provide the amount of coverage needed. Understanding takaful industry practice will help wealth managers seek other ways to serve their clients.

Conventional wealth managers may not require the wealth be cleansed or purified but this is a very critical function in Islamic wealth management. The suitable methodologies for this are also the subject of Part IV. This part of the book covers a very important area as Muslims cannot keep impure wealth and later pass it on to the next generation.



Part V

For conventional wealth management, wealth distribution is the final part of the wealth management process whereas in Islamic wealth management it is part of future planning for the Hereafter. Using the available tools in Islamic wealth management such as Zakat, Faraid, Waqf and other related tools will enable one to plan to even receive benefits after death as the ultimate goal is to achieve success in the Hereafter.

This part elaborates on the waqf framework available in Labuan jurisdiction, which enables a waqf to be established to fulfil the intentions of those making the endowment, such as to continue doing charity even after death. Part V also discusses the strength of the waqf framework in Labuan to withstand any challenges that may arise upon the death of the the one who made the endowment.

Also discussed here is the importance of proper planning to avoid the probate process which may hinder the good deeds done by the deceased during his or her lifetime.

CONCLUSION

In my opinion, this book provides very useful knowledge to all wealth management practitioners such as financial advisers, financial planners, remisers or broker dealers, fund managers, investment advisors, takafal agents and brokers, bank managers and executives, treasurers in any institution or organization, human resources managers and officers, estate planners, and all other parties dealing in wealth management and who want to practise Islamic wealth management.

I would recommend Islamic wealth management practitioners, all those who want to know more about Islamic wealth management and anyone who would like to know how to manage their wealth according to Islamic principles to read this book as it covers most areas relevant to Islamic wealth management in a coherent way. ■