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Islamic Financial Planning: A Perspective from the Heart – Part I

Financial planning and advisory, be it conventional or Islamic, is part of the financial services industry. So, let us look at the financial services industry first to better understand the landscape of the financial planning and advisory segment. Typically, there is a myriad of players including various types of banks, insurance and *takaful* companies, unit trust and asset management companies as well as estate planning and administration organisations. It is a thriving and growing industry, particularly the Islamic market.

The financial services industry is, incidentally, also a National Key Economic Area (NKEA) and the Economic Transformation Programme (ETP) report in 2011 mentioned that the financial services sector contributed 11.6 percent to the country's gross domestic product (GDP). The ETP Annual Report 2014 of Financial Services NKEA indicated that the ETP targets to grow the industry to RM180.2 billion as well as create 275,400 jobs by 2020. We are currently in the year 2016, hence, this is just four years away.

From the government's perspective, the wealth industry is still at its nascent stage and revealed that the number of high net worth individuals (HNWIs) in Malaysia rose 6.6 percent to 65,800 in 2013 with their total wealth expanding 9 percent to RM1.4 trillion. In addition, the growth of the private pension industry is accelerating while the asset management industry's growth is being sustained amidst regional competition and continues to be significantly driven by fund management of retirement funds in the Employees Provident Fund (EPF).



Interestingly, the government also viewed that the distribution channels in this industry, particularly the wealth management industry, as being fragmented. Given this landscape, as a financial planner, I have observed and experienced personal challenges as well as listened to aspirations, vision, remarks, opinions, and at times, grouses among my fellow financial planners and advisers. In my humble opinion, the financial planning and advisory profession is a noble, virtuous and values-based vocation.

This is simply because planners and advisers put their client's interest first, assist their clients to clearly

identify their life goals and provide recommendations, solutions, a plan and a road map for the clients to achieve those goals. Thus, I call my fellow comrades in the financial planning and advisory industry to believe in advisory and the benefits of doing a financial plan. We must advocate to all stakeholders that we should practise the profession and vocation in its fullest form so that together we can complement one another and bring up this very niche and professional segment of the industry.

This may sound like a *cliché* but the truth of the matter is ethical, competent, qualified and experienced financial planners and advisers can make this

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Islamic Financial Planner (IFP) is designed specially for professionals and personnel serving the retail segment of the Islamic financial products and growing demands of discerning Muslim retail clientele call for higher standards of competency and ethical practice of financial planning professionals. Islamic Financial Planner shall be equipped with all the necessary knowledge of financial advisory for the retail market. IFP has obtained Full Accreditation status by the Finance Accreditation Agency (FAA).

Upon completion of this advanced level, participants would attain a complete knowledge and have standard proficiency as Islamic finance professional. Their professionalism can be measured through their ability to:

- Guide clients through the comprehensive financial planning process.
- Advise clients on how they may achieve their financial goals according to Shariah and Al-Falah.
- Implement and monitor the holistic financial plan for the client.

Learning Outcomes

Entry Requirement

- Full Fledged (all Modules)
 - Degree in any field.
- Challenge Status
 - *Option I*

Candidates having the following qualification and/or professional credentials are eligible to apply for the IFP® Challenge status.

 1. Certified Financial Planner (CFP)
 2. Chartered Financial Analyst (CFA)
 3. Professional Accountants (MIA, CPA(M), CPA(Aust), AICPA, ACCA etc)
 4. PhD in related areas (Business, Accounting, Management, Economics, etc).
 - *Option II*

Candidates having a Bachelor Degree (in any fields) and have gained 5 years of finance related experience.

Mode of Learning

Face-to-Face

For any enquiries, please contact us:

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world a better place to live in. I, for one, believe in engaging a financial planner to plan for my family even though I am a licensed financial planner. It is not because I am incapable of doing it myself, but by engaging another planner or adviser to do it, you get a second and third opinion, higher value as well as objective and quality advice.

Now, let us get into the crux of the matter. How and where do *shariah* compliant licensed financial planners and advisers come into the picture? There is a very small group of people who practise Islamic financial planning and advisory among the small group who are qualified Islamic Financial Planner (IFP) or a Shariah Registered Financial Planner (RFP). The vital word here is "small." And, the ones practising it are fewer compared to the ones who are qualified.

Without practice and exposure, the six distinct steps in the financial planning process advocated by Financial Planning Association of Malaysia will not be harnessed and sharpened. Hence, the level of advice may not reach the potential and standard it should be. Who will lose out on the benefits? Who will lose at the end? The public, our society and community, our family and friends and ultimately our next generation.

Thus, Islamic financial planners and advisers, whether they are practising or not, have an vital role to play. Even if you are not practising, you are obligated to use and share your knowledge with others. You should persuade the public, the society, family and friends to consider financial and wealth planning when it comes to managing personal

Islamic financial planning is inter-related to Islamic wealth planning. Even though the focus, diagnosis and analysis may differ such as in the case of Islamic financial planning, it will likely be on cash flow analysis and assessment of the client's risk profile, returns and income from other sources, existing investments and properties and coverage of the *takaful* policy, the diagnosis of wealth planning is particularly on the process of acquiring the inheritance after the demise of the assets' owner and how the owner, while he/she was alive wants to distribute or preserve the wealth. Nevertheless, the heart of both Islamic financial and wealth planning and management is on the client's list of assets and liabilities. Thus, an Islamic financial planner is able to provide solutions on both financial and wealth aspects by collating the information on his or her client's assets and liabilities.

financial resources to achieve their life goals and the well-being of their beneficiaries and the next generation.

In the case of Muslims, life goals include not only securing a comfortable retirement, the maintenance of a moderate lifestyle, saving for children's education, investing for the long-term or starting a business, but also planning for *haj* and *umrah*, *zakat*, *amal jariah* (charity) and inheritance, among others.

It is a sin when wealth and assets become unproductive and wasted. This is because wealth and assets are owned by the Creator and as the vicegerents on earth, we have the accountability and responsibility to manage the wealth and assets bestowed upon us in a productive, ethical and wise manner. Going back to the fact that Islamic financial planners and advisers are a small group when

compared to the Muslim population which is currently around 61 percent of the Malaysian population of over 30 million people. This simply means that the Muslim community in Malaysia is very much underserved and perhaps the most ignorant when it comes to financial and wealth planning according to *shariah* requirements.

Based on this fact, it may be concluded that the economic development of the Muslim community is greatly handicapped and hindered because of the lack of professional advisory resources and talent in the industry. Islamic financial and wealth planning is not taught in schools. In several universities, diploma and degree programmes are being offered to fill this chasm in the financial services industry. But, are the students and graduates properly and systematically exposed to the true form of financial and wealth planning practices which could solve the issues and challenges of the Muslim community, in particular, and the industry, in general?

Be on the lookout for Part 2 of this discussion in the next issue of the *4E Journal*. ■

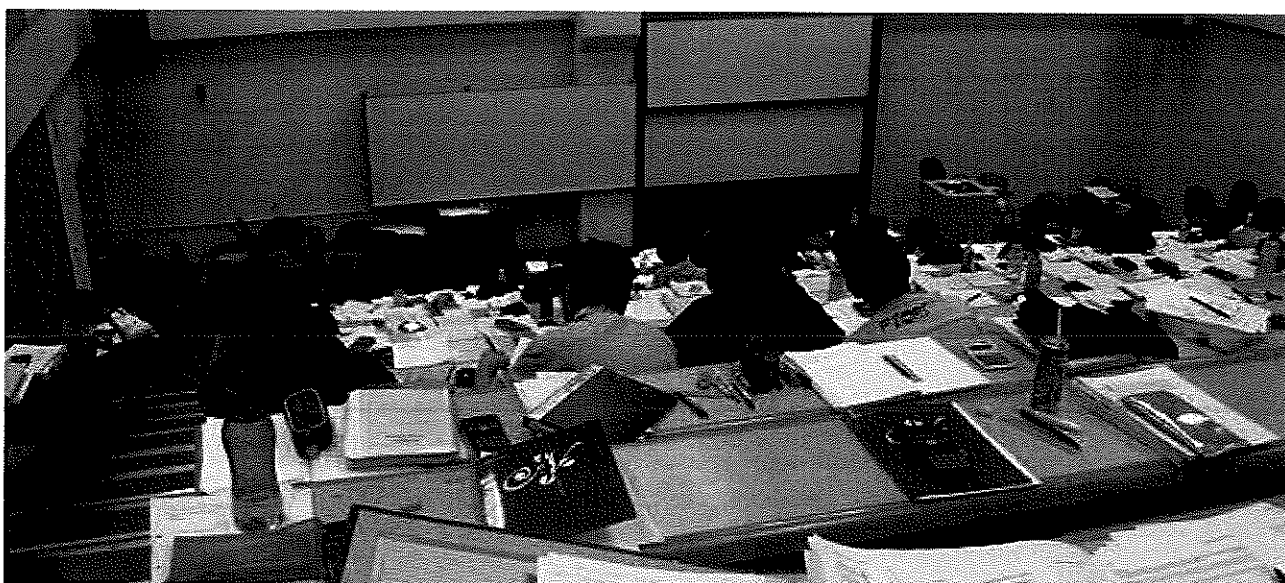
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Islamic Financial Planning: A Perspective from the Heart – Part II



In my first article in the previous issue of the *4E Journal*, I ended with a question: are our students and graduates properly and systematically exposed to the true form of financial and wealth planning practices which could help resolve the personal finance issues and challenges of the Muslim community? My contention was that the economic development of the Muslim community is greatly handicapped and hindered because of the lack of professional advisory resources and talent in the industry.

I reiterated that Islamic financial and wealth planning is not taught in school. And, even though in several universities, the diploma and bachelor degree

programmes in financial planning are being offered to fill this chasm in the financial services industry, a big gap still exists when it comes to developing the professional advisory resources and talent to address issues and challenges faced by the Muslim community (be it in the context of personal finance or business finance).

Financial literacy and financial education is very close to my heart. This is because of my own personal experience of running and managing my family business (I was in charge of the financial management of the investment holding company and its subsidiaries.) right after I graduated from the International Islamic University Malaysia (IIUM) with an honours degree

in economics. I was thankful my father insisted that I pursue a Master of Business Administration (MBA) degree because the Asian financial crisis in 1997 caused many businesses to go bust. With the MBA, I was able to find employment at a private university to teach economics and subsequently I became a subject matter expert and specialist in entrepreneurship education.

My PhD study was related to entrepreneurship and my research interest is on entrepreneurship and more specifically on family business, strategy and finance. I have personally trained and mentored more than 800 novice and nascent entrepreneurs and advised a handful of small and

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is a license-to-practice certification designed specially for professionals and personnel serving the retail segment of the Islamic financial services industry. Through the certification, that promotes higher standards of competency and ethical practice of financial planning professionals, the growing demands of discerning Muslim clientele would be fulfilled.

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medium-sized enterprises (SMEs) and large business owners on business and strategic planning and management.

With the training I received from the CFP course in 2014, interactions and discussions with fellow peers in the financial services industry and being involved in setting up my own Single Family Office as well as advising and providing family business owners with services and solutions related to their financial needs and goals for the past six years, I was able to integrate the knowledge of personal finance and business finance as well as financial and wealth management, I was able to advise my clients accordingly.

What I am trying to highlight here is – it takes many years of trial and error, ups and downs, for an individual to develop the aptitude, competency, maturity, professionalism and ethics to give clients value advice and propositions. A good and competent professional financial adviser just does not happen overnight. Hence, what are we doing, individually and collectively, in ensuring that our future generation is provided with the correct path in developing their careers in this field which is still short of qualified advisers? The right talent and the right mind set, it would appear, is in short supply or is it because we have been doing the wrong things in the last 15 years? The situation is even more challenging and worrying in the case of developing Islamic financial planners and wealth advisers.

It worries me a great deal when universities and colleges do not engage the industry and related associations in developing their course syllabi. That

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said, I am disappointed that we – the industry practitioners, particularly practising and experienced financial planners – are too busy with our work, clients and businesses, that we do not have time to engage and communicate with the millennials on the importance and value of financial and wealth planning.

Who should initiate this engagement and communication? This issue cannot be overcome as long as we point fingers on others. The solution is within us, fellow Islamic financial and wealth planners and advisers. What is the reason that we did not see many academicians and students from the Malaysian higher education sector at the recently concluded Inaugural Annual Financial Planning Signature Conference 2016? Did we forget to invite them?

Let me share the comments and feedback that I received from undergraduates who are specialising in Islamic financial planning at a private university. They perceived the role of financial planners as doing sales and selling products. And, they also thought that it is very difficult to get a Muslim individual to want to do an Islamic financial plan. As a result, many students and graduates do not want to be an Islamic financial planner.

There is also the other group of Shariah students and graduates who have started to embark on Islamic estate planning. They may be strong and competent in the knowledge of Shariah and estate planning, but how do we harness the advisory aptitude in these millennials? How do we ensure that when the Islamic financial and wealth planning students undertake their internship and practical training, they are exposed to the advisory and planning skills and processes?

I do hope that the thought leaders and leading practitioners in the field of Islamic financial and wealth planning would work together to address these issues and challenges in developing the professional talent in this niche area of personal finance and wealth management. Perhaps, one of the alternative solutions is to encourage more Muslim students and graduates to enrol and undertake a professional Islamic financial planning certification. To do this, our associations need to be proactive and formulate a strategic communication plan to implement activities and initiatives as well as set a high target of enrolment for professional Islamic financial planning certification. Another possible solution is for professional and experienced Islamic financial and wealth planners and advisers to offer themselves as mentors and coaches to guide the millennials in their journey and career development. In a nutshell, it is clear that one person cannot change the industry's status quo. It requires a collective effort. And, it starts with finding the passion within us and the heart to do the right thing for our community and nation. ■

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