

Jointly Organised by :



CONFERENCE ON
ISLAMIC WEALTH MANAGEMENT
Islamic Wealth Management for A Brighter Future

11-12 June 2014 | Auditorium, Sasana Kijang, Bank Negara Malaysia

Session 2

What Products are Available in Islamic Wealth Management?

**Dr. Aznan Hasan, President,
Association of Shariah Advisors in Islamic Finance (ASAS)**

OUTLINES

- The importance of Islamic Wealth Management
- Islamic Wealth Management Services
- Goals of Islamic Wealth Management
- Current status of Islamic wealth management solution
- Case Study: Wealth Transfer Mechanism
- Conclusion



MFPC 10th Anniversary Celebration | Decade of Excellence



THE IMPORTANCE OF ISLAMIC WEALTH MANAGEMENT

- Islamic wealth management originates from the basic Islamic concept of wealth and extends to the structures of Islamic financial products, portfolio management, asset allocation and overall financial planning.
- The significant rise of wealth especially, among the Muslims provides an avenue for the introduction of Islamic wealth management's products and instruments
- The purpose is to provide alternative to individual and corporate to manage their assets in accordance to the Shariah principles and values.
- With the growing based of wealthy people and various ethical and value-based investment, there is a growing need to provide products of Islamic wealth management to the public.
- The purpose of Islamic wealth management is to ensure “sustainability” and “well being”.
 - Individual (in this life and the hereafter)
 - Assets and businesses
 - Offspring
 - Etc.



ISLAMIC WEALTH MANAGEMENT SERVICES

- The complete Islamic wealth management services should cover various aspects of wealth management
 - Wealth Creation
 - Wealth Accumulation
 - Wealth Protection
 - Wealth Purification
 - Wealth Distribution

FOUR KEY GOALS OF WEALTH MANAGEMENT

- Investments and wealth accumulation
 - A variety of banking and investments-based products are needed, with right balancing of the portfolio to ensure accumulation of profits. Main challenge: Limited avenue for investment
- Retirement and retirement income
 - Various retirement planning and pension schemes, with sustainable investment portfolio. Main Challenge: Variety of products
- Wealth and lifestyle protection
 - Various takaful and investment-linked products: Main challenge: variety of products
- Transferring wealth
 - Estate planning, creation of Trust and Inheritance; Main challenge: structuring and incorporation of terms and conditions.
- To achieve these goals, an appropriate variety of products are required to be offered.

CURRENT STATUS OF WEALTH MANAGEMENT SOLUTION

- **There are corporate institutions that provide wealth management solutions**
 - **Advisory vis-à-vis discretionary management**
 - **IFIs vis-à-vis boutique , sometimes with collaborations**
 - **Whole spectrum vis-à-vis specialized.**

OBSERVATION

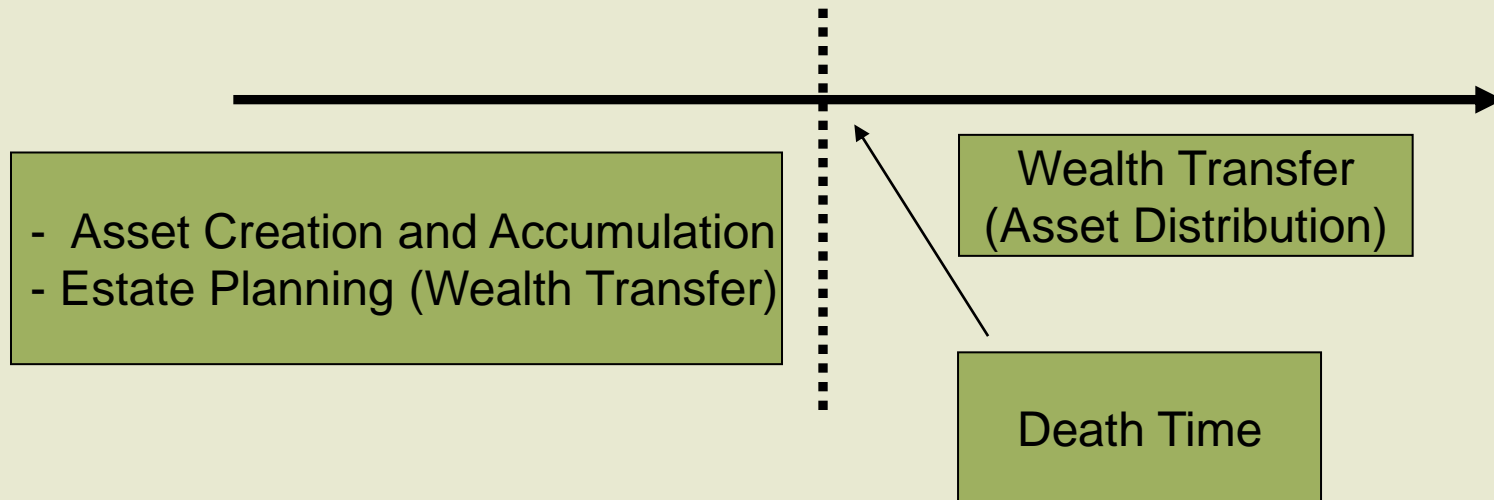
- On the investments portfolio, relatively there are avenues for investments for the purpose of wealth accumulation and sustainable profit attainment.
- Other main areas of further development are:
 - Retirement schemes with various features.
 - Private Retirement Schemes
 - Wealth Transfer mechanism:
 - Hibah Inter vivos
 - Hibah Trust
 - Creation of Waqaf and its equivalent
 - Etc

CASE STUDY: WEALTH TRANSFER MECHANISM

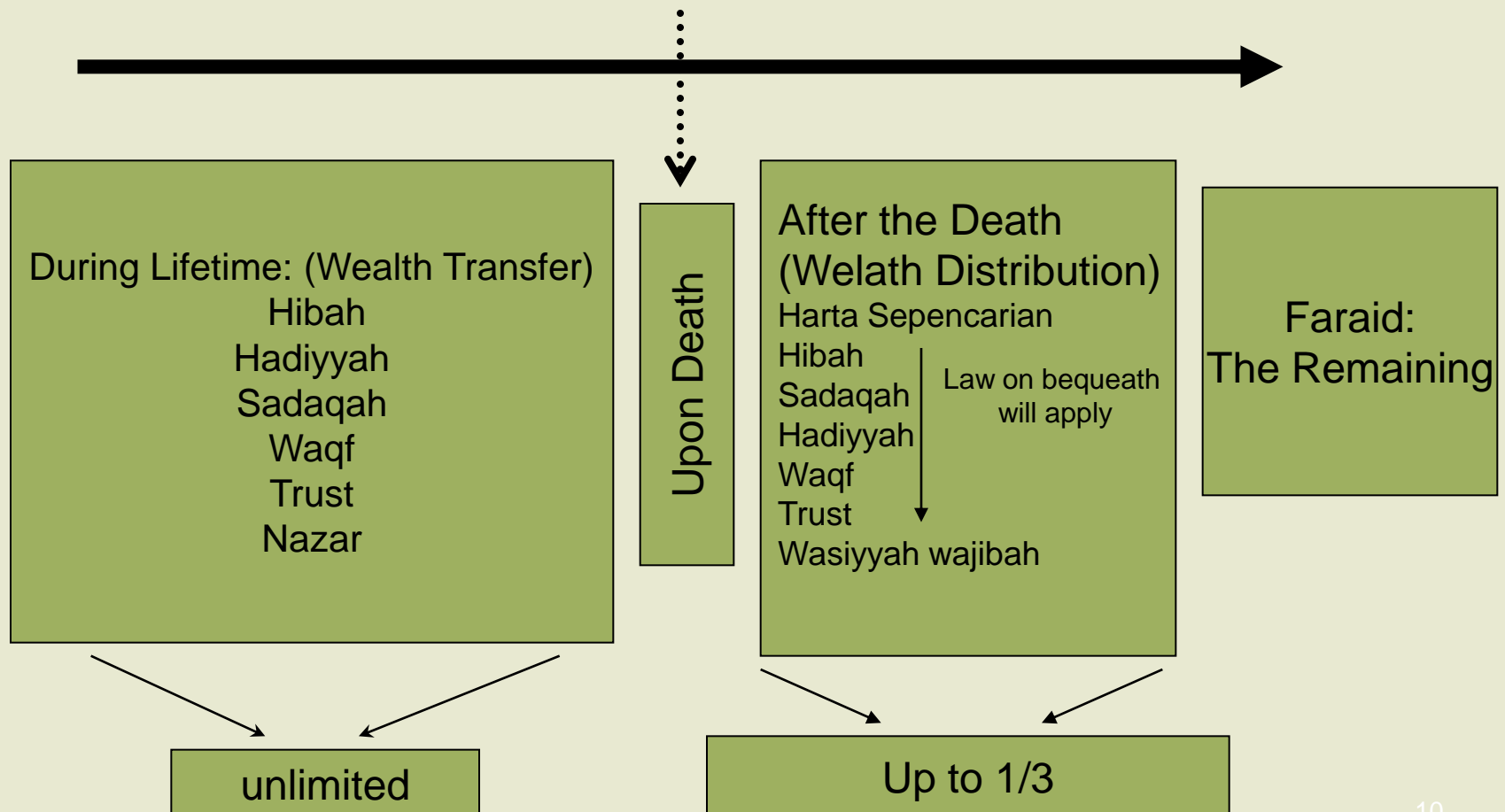
- Wealth transfer can be transferred Islamically by using the common mechanism, like hibah inter vivos, waqaf, bequeath, inheritance, etc.
- Islamic wealth management providers should be able to facilitate this.
- Nevertheless, these instruments in its common scenario may not be able to suit specific needs of the clients.
- For examples:
 - Hibah Inter vivos will transfer the properties to the beneficiaries, and this may jeopardies the interest of the Hibah giver.
 - Testamentary Hibah may be subjected to the rules of faraid.
 - Waqaf may not be able to be constituted due to certain legal and regulatory framework.
- Due to these issues (and alike), there is a need to provide products of wealth distribution to clients

WHAT IS WEALTH TRANSFER? (ESTATE PLANNING)

- Planning the transfer and distribution of estate before and after death



DIAGRAM

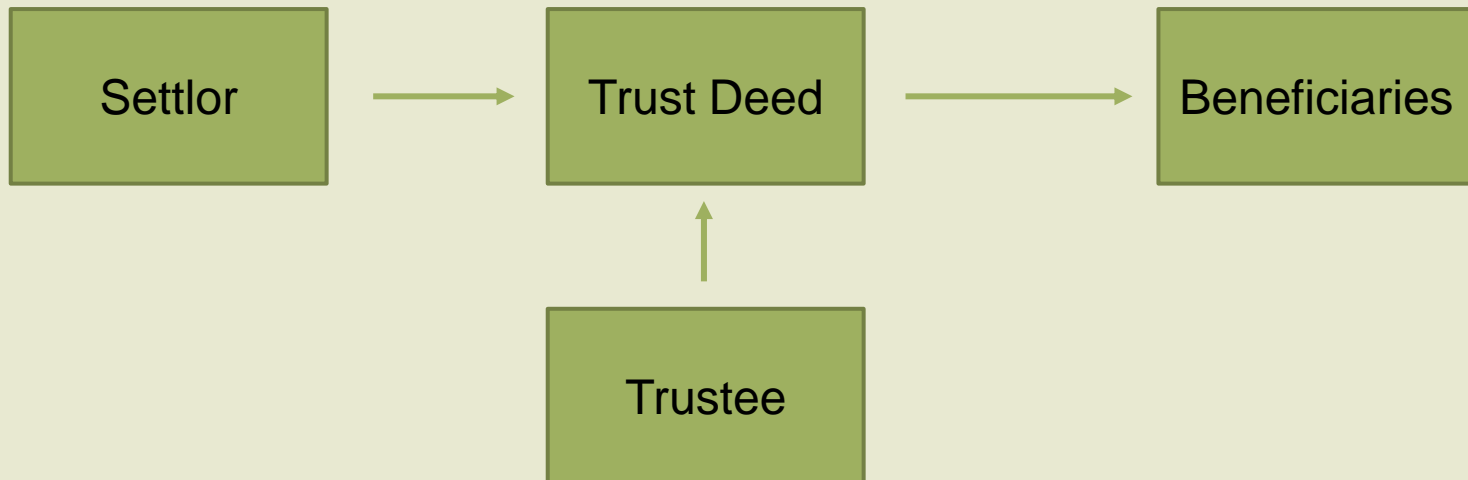


TRUST MECHANISM

- The creation of Trust has been a very viable solutions to various situations of wealth transfer and distribution.
- Example of usages:
 - Creation of Foundation: To support the next generation
 - Creation of business foundation: To ensure sustainability of the business after the death of the founder
 - Wealth Distribution that will only takes effect after the death of the settlor, without him being one of the beneficiaries.
 - Wealth distribution that will only take effect after the death of the settlor, and he is one of the beneficiaries
 - Revocable Trust
 - Irrevocable Trust
 - Etc.

CONT'D

- The terms and conditions of the trust deed are important to ascertain whether:
 - the principles of hibah or wasiyyah should be applied
 - Whether the assets under the trust will form part of inheritance or not.
 - Temporary waqaf structure?
 - Method of distribution of benefit and assets.



CONCLUSION

- Islamic Wealth Management has emerged to be one of niche areas of Islamic finance
- The challenge is to create a one-stop solution to Islamic wealth managements, where products are offered to clients and able to fulfill their financial needs during all stages of wealth management.
- At present, there exist various products of Islamic wealth management. Nevertheless, there are rooms for improvements of the products either from commercial or Shariah points of view.



DISCLAIMER

This presentation should not be regarded as offering a complete explanation of the matters referred to and is subject to changes in law. It is not intended to be a substitute for detailed research or the exercise of professional judgment. Labuan IBFC and MFPC cannot accept any responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this presentation. The republication, reproduction or commercial use of any part of this presentation in any manner whatsoever, including electronically, without the prior written permission from Labuan IBFC Inc. and MFPC is strictly prohibited.