

THE HALAL INVESTMENT CHECKLIST

A step-by-step guide + 7 great places to put your money to build your wealth

ISLAMICFINANCEGURU.COM CO-FOUNDERS



Ibrahim holds a BA in Philosophy, Politics, and Economics from the University of Oxford, an ijazah in the memorisation of the Qur'an from Egypt, and an MA in Islamic Banking and Finance from Markfield Institute. He also recently graduated as an Alim (traditional Islamic scholar) under the tutelage of Shaykh Akram Nadwi. He is currently working as a funds lawyer in London at a leading international law firm.

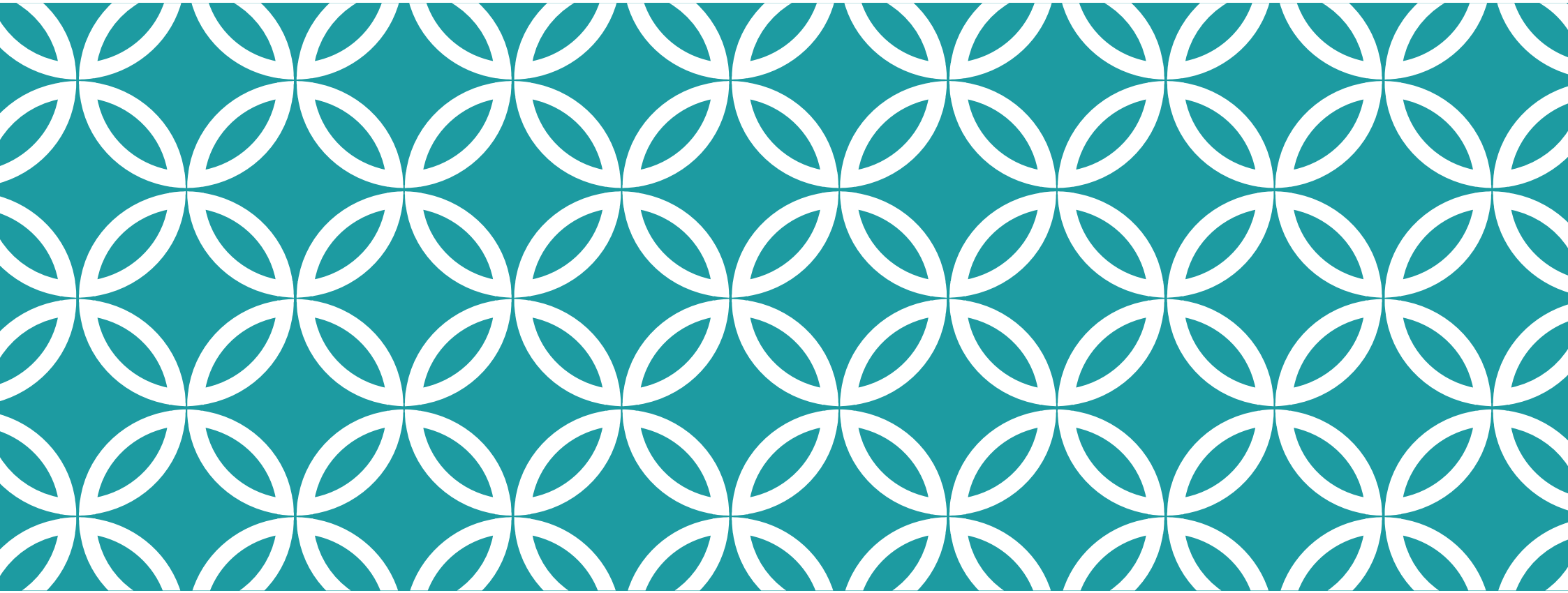


Mohsin is an Oxford graduate with legal qualifications focussing specifically on corporate and commercial matters. He works for one of the largest corporate law firms in the world. He has experience in a range of commercial transactions and therefore understands the intricacies and issues that often arise when trying to conduct matters in a sharia-compliant manner.

INTRODUCTION

This checklist is designed to help you:

1. Understand 3 golden rules that should underpin your entire investment journey;
2. Enable you to work out your risk appetite and investment goals; and
3. Give you 7 great halal options to invest in.



3 GOLDEN RULES

To a stress-free investing journey

RULE 1

KNOW WHY YOU'RE INVESTING IN THE FIRST PLACE.

Is it to retire (so you'll be happy to lock away money for decades)? Is to pay for your son's university fees? Or is it to take a bit of a risk to try and make some money quickly (nothing wrong with that if done for the right reasons!)?

RULE 2 KNOW YOUR RISK APPETITE.

Low: You can't really afford to lose this money, you need it quite soon for something quite important (e.g. a house deposit/tuition fees) and you are happy with relatively low returns (1-3%).

Medium: You can afford to see a little volatility in your investments (volatility = ups and downs in price), in exchange for a higher return (3-8%). But again, you certainly don't want to lose your money in the long-run.

High: You are focused on seeing the best returns possible and are willing to lose a lot of your money if things go wrong, so that you have a chance of making a lot of money (returns of >8%) if things go right. You are able to stomach seeing plenty of volatility.

RULE 3

DIVERSIFY YOUR PORTFOLIO

Why diversify? Well, as my grandmother used to say, “don’t put all your eggs in one basket”.

Regardless of what kind of portfolio you are creating, it is always good to have a little variety to smooth over the big ups and downs. The stock market getting hit? No problem as your buy-to-let is performing solidly. Or is your pension flat-lining? No worries, your high risk stocks will help give your overall portfolio a kick.

Within each asset class you should look to diversity further if you can. So, if you’re buying shares – buy a good handful (say, 10-20). If you’re buying buy-to-lets, look to diversify by geography and tenant-type.

Questions	Answers
Why am I investing?	<hr/> <hr/> <hr/>
What is the amount of money I am aiming to get to?	£ <hr/>
What is my risk appetite?	Low/Medium/High
How much do I have as a lump-sum to invest now?	£ <hr/>
How much do I have as savings to invest per month?	£ <hr/>

PERSONAL PLANNER — START YOUR INVESTMENT JOURNEY



Use the this [calculator](#) – it helps you answer questions such as:

What could my investments be worth?

How much might I need to invest each month to reach my goal?

How long could it take me to reach my goal?



Okay. Done? Now you will have an idea of whether you need to be investing primarily in low/medium/high risk investments.

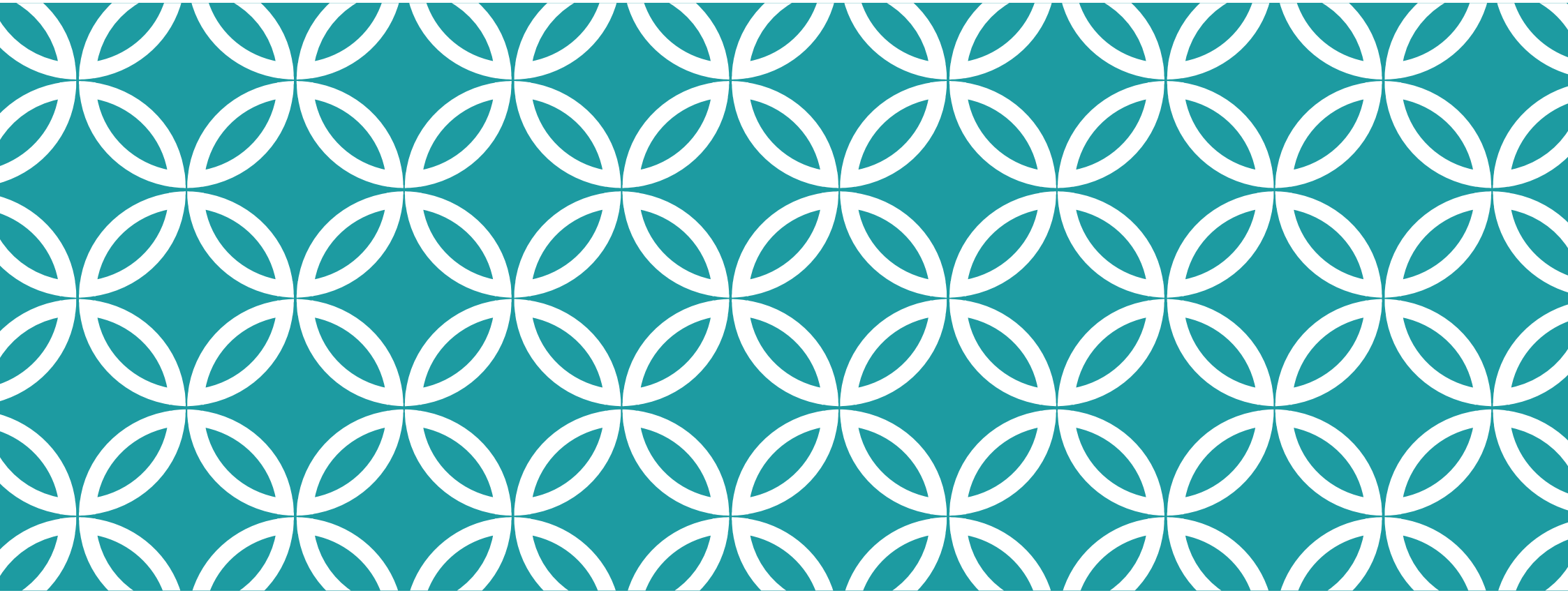
PERSONAL PLANNER — WHERE ARE YOU HEADED?

Investment Type	Returns
Low Risk Investments	1-3%
Medium Risk Investments	3-8%
High Risk Investments	8% +

RISK MATRIX – GUIDANCE ON POTENTIAL RETURNS

Investment Type	Low Risk Portfolio	Medium Risk Portfolio	High Risk Portfolio
Low Risk Investments	70%	20%	5%
Medium Risk Investments	25%	70%	65%
High Risk Investments	5%	10%	30%

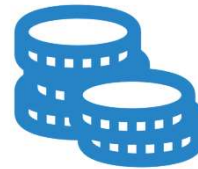
RISK-TO-PORTFOLIO MAPPING



WHERE TO PUT YOUR MONEY?

7 Halal options to consider

1. PENSION [LOW RISK]



In a lot of countries, certainly here in the UK, the employer is forced to contribute a certain percentage to your pension. This is free money being given away, tax-free. It is a no-brainer to enroll in your pension and contribute a decent chunk to it.

We can go into what to invest in, how much to contribute into it, and where to get one – so keep tuned to IFG content and we will cover this.



The big downside to pension is that it is locked away until you're nearing retirement. So it isn't sensible to just put everything here.

2. SHARE INVESTING [LOW/MEDIUM RISK]

Share investing is kinda what your pension will be doing as well, but the benefit is you can quickly get your hands on this cash by selling shares. If you put your money into a fund that invests for you, or an ETF (we will cover this stuff on IFG later too – so don't worry!) then this is going to be less risky usually than just investing yourself – even if you know what you're doing. This is as (very) generally speaking, funds are very well diversified and tend to go for the less volatile and larger companies. They don't suddenly shoot up to 10x but they also don't suddenly collapse and burn.

Wahed Invest is a great shout for this. Its medium/high risk portfolios are great. Go through this [link](#) to get £25 as a gift when you create your account with them. Now what were we saying about free money again...? For more details on Wahed and how to use it effectively, see our full review [here](#).

3. SHARE INVESTING [HIGHER RISK]

However if you decide to invest yourself, and go for the more growth-style stocks, then this is high risk but high reward. We're talking investing on the AIM index and FTSE 350. Mohsin and I love doing this and alhamdulillah have been fairly successful at it. We share some of our tips on this [podcast episode](#).

If you want to get started on this – set up an account with AJ Bell - the stockbroker we use and recommend.

4. PROPERTY INVESTING [LOW/MEDIUM RISK]

Property investing is primarily of two kinds: (1) Buy-to-lets and (2) refurbishments. The big challenge with property though is that you need a fair bit of cash saved up already to be able to afford to buy a house outright or even pay a deposit. Also, as someone who has had rental properties in the past, it is a real headache managing the day-to-day issues with the house and tenants.

Thankfully there are now much easier and more affordable ways to invest in property for you and I. Yielders are a great shout for buy-to-let, have a decent variety, but don't necessarily give a market-leading return. Igloo Crowd give a market-leading return, primarily as they also allow you to invest in buy-to-sell (refurb) projects and as they invest in properties up north. But their downside is that they're a newer company so have less options to invest in at any one time. Both are good shouts and we actually invest in both.

5. FIXED INCOME INVESTING [LOW RISK]

Before Wahed, fixed income investing (i.e. you get a set return every year no matter what) was kinda restricted to a savings account with someone like Al-Rayyan. Their returns are actually market-leading in the savings account world, but lets face it – the savings account world is pretty boring and really just somewhere to put your liquid petty cash.

With Wahed, for the first time Muslim investors can invest in sukuk (which is an Islamic bond) pretty much directly and that's great. I personally use [Wahed](#) for this precise purpose and it works great!

6. FIXED INCOME INVESTING [MEDIUM/HIGH RISK]



On the higher risk end of fixed income investments are the new kid on the block - Funding Joint. These guys are about to launch and allow you and I to invest in invoices.



No – don't panic, bear with us. Companies need to get paid and issue invoices. But other companies take ages to pay them. So the issuing company has cashflow problems and starts looking to raise quick cash flow using the invoice it is still owed. They go to invoice financing companies who lend them money against that invoice. That of course is haram.



Without boring you, Funding Joint have come up with a sharia-compliant way of doing the same thing. Investments with them consistently over the year could net you over 10% - but then someone could also default on a payment. So this is a higher risk fixed income option – and one we at IFG are personally very excited about. Check them out [here](#).

7. START-UP BUSINESSES [HIGH RISK]



Finally, there a bunch of ways you can get in touch with start-ups and entrepreneurs looking to raise money at various points of their journey. You might invest in the next Uber and making an absolute killing and retire. Or you might invest in a company that flops within 3 months. Welcome to the world of seed investing.



There are actually a bunch of tax benefits for why you should invest in these kind of companies – which we will go into at some point inshAllah, but suffice to say, this is the highest-risk and highest-reward end of the spectrum. Again, we at IFG love this space and invest in this ourselves. When done well, the rewards are unmatched. If you're someone fairly well off and keen to invest in start-ups like this, [drop us an email](#) and we can definitely link you up with some start-ups.

ONE FINAL VALUE-ADD

This is meant to be super quick information (a review for some of you and new stuff for others) and a reference point.

We actually have a great course that goes into practical detail on how to build your hands-off halal portfolio. In it we go into much more detail than this checklist. We show you how we do our own investing through a mixture of videos, screencasts, and great little documents (like this one!). We share with you how to screen your own halal pension funds too. To find out more, visit: [here](#).

NEXT STEPS

1. **Open a Wahed Account:** If you've decided you want to stick some money with Wahed, they've given our readers an exclusive £25 bonus so use [this link](#).
2. **Open a Share Account:** Set up an account with AJ Bell the stockbroker we use and recommend.
3. **Open an Igloo or Yielders Account.**
4. [Contact us](#) if you have any queries or are interested in start-ups