SHARIAH FINANCIAL PLANNING REPORT

Specifically Designed For:

HIDING 1

Prepared By:

HIDING 2

Shariah RFP, MFPC

April, 2023

It is our professional responsibility to hold all information provided by the client in the strictest of confidence. None of the information will be shared with or divulged to third party except in circumstances where the law demands for their release or where the written permission of the client has obtained.

SHARIAH FINANCIAL PLANNING REPORT
Malaysia Financial Planning Council (MFPC)

Prepared by:
HIDING 3
Shariah RFP Capstone, MFPC

Client's Brief Descriptions

(A WIDOWER)

She, (47 years old) is a Malaysian citizen and she is a widow. Her husband died of a deathly cancer disease in year 2006. She is a Chemical Engineer by qualification and graduated from Ireland's University, United Kingdom in early 2000. Noraini is currently working as a Senior Manager at CVSKL Sentral, Kuala Lumpur (a private human cardio specialist hospital). Her gross earning is RM 8,600.00 per month. Since 2006, she grew up her three children alone. She has two sons (age-21 years old and 19 years old) and one daughter (age-17 years old). Her first son is currently studying at the local university in the field of Mechatronic engineering. Her second son, 19 years old is planning to study in Business Administration at the local university at the age of 21 years old) and her daughter is planning to become a doctor and most probably to study at the local university (6 years medical studies programs) at the age of 21 years old. The family is staying at their own house which she and the late husband bought in the middle of year 2000. A few years after she lost her husband, Noraini bought a Prudential-BSN (Takaful) Medical covers in 2013 with the cash equivalent value of RM80,000.00. She is paying the Takaful premium of RM220 per month. The medical coverage is only for herself but not for her three children. Based on the discussion with herself, she is planning to retire at the age of 55 and perform Hajj during her retirement age. The details of her profile are as stated in the fact-finding sheet and it is attached in the appendices 13(D).

"Shariah Financial Planning (SFP) is a smart way to keep your financial house in order. It is a money tool for everyone, regardless of age, earnings, net worth, or financial dreams. SFP offers individuals/organisations a way to document their personal goals and corresponding financial goals. It can keep people on track to meet ongoing financial needs and major financial goals. When it comes to family, it is vital to plan strategically towards achieving a greater future. The earlier you start, the better chance you have of making your plans a reality."

I. Foreword

Financial Planning is essentially a process and not a product. It is a step-by-step approach to meet one's life goals and objectives. A financial plan acts as a guide as you go through life's journey. Essentially, it helps you be in control of your income, expenses and investments such that you can manage your money and achieve your goals and objectives. According to the definition given by Malaysia Financial Planning Services (MFPC) constitution, financial planning ***is as a process or methodology of assisting clients in determining their financial goals, objectives and priorities and the resources to meet them in an optimal and practical manner.*** Meanwhile, **Shariah Financial Planning** is defined as ***a process of assisting clients in determining their financial goals and priorities and the resources to meet up them optimally within the parameters of the Shariah.*** Another definition ***is given as the process of meeting life goals throughout the management of finances in accordance with the Shariah.*** The concept of **Islamic financial planning** is based on the incorporation of the Shariah rules and elements into the process of the financial planning, whereby Shariah rules and principles will be positioned as the core of the application of financial planning and accordingly Shariah will be observed, respected and enforced throughout the process. With adequate funds at hand, you can cover your monthly expenses, invest for your future goals and splurge a little for yourself and your family, without worry. In another words, financial planning helps you manage your money efficiently and enjoy peace of mind. There are ***numerous practical benefits to financial planning. It helps you to (a) Increase your savings, (b) Enjoy a better standard of living, (c) Be prepared for emergencies, and (d) Attain peace of mind.*** **The Personal Financial Planner** is referred to as an individual practitioner who provides financial planning services to clients and meets all competence, ethics and experience requirements of the profession. **The Client of a Personal Financial Planner** is defined as an individual who has accepted the terms of engagement by entering into a contract of services.

EXECUTIVE SUMMARY

The concept of Islamic financial planning ***is based on the incorporation of the Shariah rules and elements into the process of the financial planning, whereby Shariah rules and principles will be positioned as the core of the application of financial planning, and accordingly Shariah will be observed, respected, and enforce throughout the process.*** Shariah is very concern about the financial planning due to its financial implication on the family and society at large. Therefore, Muslims are encouraged and urged to plan their life economically and financially as well in order to achieve the objectives of Shariah in society, business and finance which bring prosperity and happiness to every individual in the ummah. The financial planning never been against the concept of tawakul and destiny, Shariah always urge Muslim to spend effort to achieve the goal of Shariah especially which are related to the five universal fundamental objectives of Shariah. One of them is preservation of the wealth whereby the financial planning plays this role to materials this objective. ***This financial plan outlines the Shariah-compliance strategies that are designed according to : (a) Provide you with the opportunity to achieve long-term capital growth and better capital preservation, (b) Provide you with a sufficient emergency fund to meet up with any unexpected expenses, (c) Help you to prepare enough funds for your children tertiary/university education, (d) Help you to accumulate sufficient funds to sustain your pre-retirement lifestyle when you retire, (e) Ensure that your estate is sufficiently large for meaningful distribution to heirs, (f) Assist you to reduce your financial liabilities, (g) Help you to maximize your tax relief and increase your tax saving, (h) Help you to have a better understanding on your risk tolerance and risk management and (i) Provide adequate financial protection for your children in case of your premature death, and disability due to accidents or illness by having a comprehensive family's Takaful life protection.***

GOALS AND OBJECTIVES

According to Benjamin Franklin, ***"If you fail to plan, you are planning to fail."*** You may have several different financial goals and objectives, you wish to achieve but to reach them at the right point in life; you need to have a financial plan in place at a very young age. ***In order to reach your financial dreams, you must have clearly defined your goals and objectives***. A financial goals and objectives are a target to aim for when managing your money. It can involve saving, spending, earning, or even investing. Creating a list of financial goals and objectives are vital to creating a budget. When you have a clear picture of what you are aiming for, working towards your target is easy. ***It is also about a restatement of your established goals and objectives, in accordance to their priority and a time frame for achieving it.*** As per our discussion, we simplified your goals and objectives to be as follows:

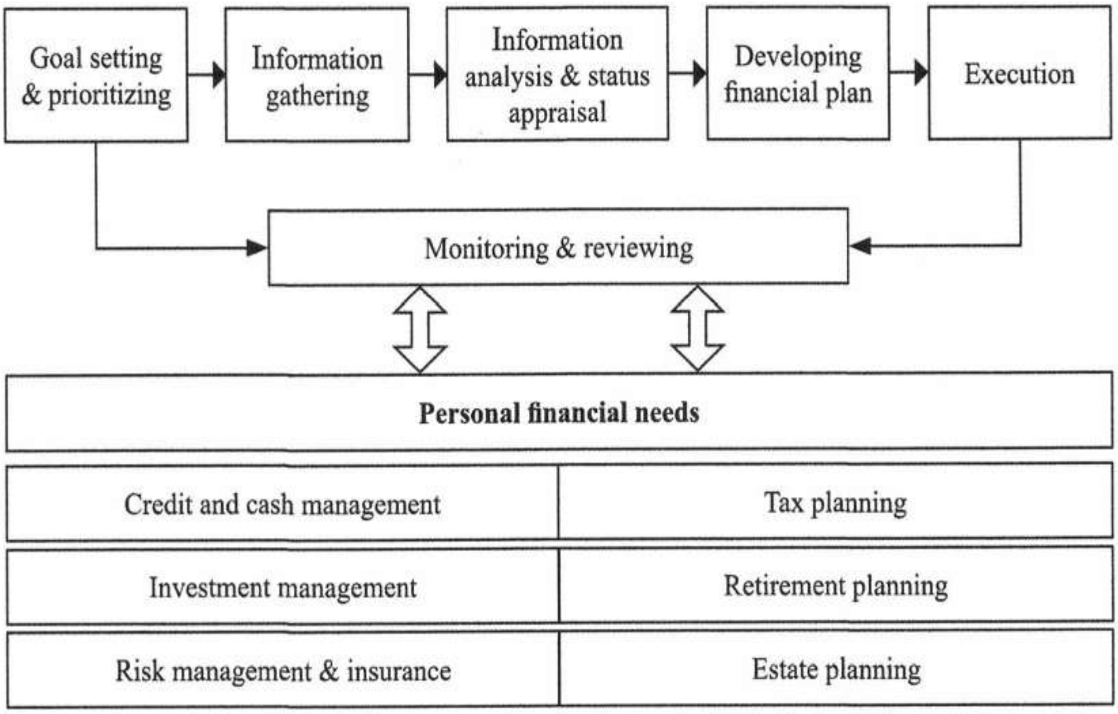
Short Term (Less Than 3 Years)	**Estimated Costs**
1. To settle short term liabilities 2. To prepare for both son's education costs	**RM50,000.00** **RM50,000.00**
Medium-Term (Example: 3 - 7 Years)	**Estimated Costs**
(b) To prepare for the daughter's education costs (b) To save money to perform Hajj	**RM40,000.00** **RM30,000,00**
Long-Term (Example: > 7 Years)	**Estimated Costs**
(a) To have a minimum retirement fund for the amount of not less than RM500,000.00.	**RM500,000.00**

Generally financial resources are limited, while there is no limit to how high the various financial goals and objectives that you can set. For this reason, it is important to evaluate your goals, objectives and needs in relation to your current and future financial resources to determine the adequacy level. The analysis should be able to help answer the questions in the following key planning areas:

(a) **Retirement Needs**: What is the lump sum retirement income need? What is the gap after deducting the projected retirement resources? What are the retirement funding sources? (b) **Tertiary Education Needs:** What is the cost of education at the time of college entry for each child? Is the current plan sufficient to meet the needs? (c) **Dependency Needs:** What is the amount needed to feed and shelter dependents and for how long if the client dies tomorrow? Is the current Takaful coverage adequate? (d) **Critical Illnesses and Disability Needs:** What is the amount needed to settle the cost of major illness and cost associated with disability? Is the current Takaful coverage satisfactory? (d) **Estate Planning Needs:** What is the legacy amount you which to accumulate for heirs? Is the current accumulation programme adequate? Is the estate sufficient liquid to meet probate and other costs at the client's demise? **(e) Investments Planning -** Is the investment product registered with the approved authorities or securities agency? Does this investment match my investment goals? Why is this investment suitable for me? How will this investment make money? (Dividends? Interest? Capital gains?). How liquid is this investment? How easy would it be to sell if I needed my money right away? What are the specific risks associated with this investment? and others. In the process of completing your shariah financial planning, we will give the best commitment with high degree of moral values and to be focussing on the six steps which is essential in the financial planning such as, ***(a) To establishing and defining the client-planner relationship, (b) To gather client's financial data and determining goals and expectations, (c) Analysing and evaluating the client's financial status, (d) Developing and presenting financial planning recommendations and/or alternatives. (e) Implementing the financial planning recommendations, and (f) Monitoring the financial planning recommendations.***

A typical approach to personal financial planning involves effective utilization of savings to accumulate wealth, followed by careful preservation of such wealth against value depreciation and losses, and finally distribution of wealth at a later stage of one's life (Malaysia Financial Planning Council, 2004). Such planning reflects an individuals' current state of play and how individuals plan to progressively develop and build their capacity in managing financial needs with respect to credit and cash management, tax planning, insurance and risk management, investment, as well retirement and estate planning (Malaysia Financial Planning Council, 2004). In gaining capacity for the desired financial well-being and lifestyle, it is essential that individuals constantly review the current impact of their financial affairs on the financial status as well gauge the resources necessary to support the desired status in future. The diagram 1, suggests the review process that is useful in helping individuals establish a baseline for future financial management and set objectives and targets constituting the directions of the financial plan (Lee & Ong, 2001).

Diagram 1: Framework for the engineering of individual financial health



CURRENT SITUATION –
ASSETS, LIABILITIES AND NET WORTH

This section consists of an analysis of your current financial position for ***Assets, Liabilities and Net Worth.*** The main purpose of this section is to identify your financial present circumstances, strengths and weakness and then to be able to provide a foundation for comparative analysis reviews on your financial related matters.

3.1 ASSETS

An asset ***is a resource owned by an individual or organization which provides economic values.*** This includes cash, equipment, property, rights, or anything that helps them to generate revenue or reduce expenses. Its are obtained as a result of the past transactions or events and are expected to provide future economic benefits, whether directly or indirectly. For instance, a piece of equipment may be used to indirectly generate revenue, while cash is a more direct source of value. ***Assets are important because they are what businesses use to operate and generate a profit.*** It is also one of the three concepts of fundamental accounting equation, alongside liabilities and equity. ***In shorts, assets are simply defined as what you have.*** It is a resource with economic value that an individual, corporation, or country owns or controls with the expectation that it will contribute to provide the future benefits.

Assets are normally reported on a balance sheet and it created to increase a value or benefit the life of individuals or the operations of the firms/corporations. It is something that may generate cash flow, reduce expenses or improve living standard of an individual. Assets can be classified as current, fixed, financial, or intangible.

In your case, we found that your **Total Assets, Total Liabilities** and **Net Worth** are as listed below and its marked to the current market value. Below is the summary of your total Assets including the Liabilities and Net worth.

Items	RM
Total Cash & Cash Equivalent	**120,000.00**
Total Investment Assets	**425,000.00**
Total Personal Use Assets	**725,000.00**
Total Assets	**1,270,000.00**
Total Liabilities	**141,000.00**
Total Net Worth	**1,129,000.00**

The most common asset classes are:

(a) Cash and Cash Equivalents

Cash is the ultimate liquid assets, while cash equivalents are assets that can easily be converted to cash when a need arise, with little loss of value. For examples: current/savings account and fixed deposits.

(b) Investment Assets

Investment assets are ***those assets that are held over the long term to generate income or capital gains*****.** These may include equity, real property investment etc. Its include both tangible and intangible instruments that investors buy and sell for the purposes of generating additional income, on either a short- or long-term basis. We view investment vehicles as asset-class categories that are used for diversification purposes. Each asset class is expected to reflect different risk and return investment characteristics and perform differently in any given market environment

(c) Personal-Use-Asset

Personal-use-assets are those assets not held for the purpose of income generation or capital growth. They are largely assets acquired and held for personal use and consumption, for examples: Home, car, jewellery/collections, etc

3.2 LIABILITIES

A liability ***is something a person or company owes, usually a sum of money.*** Liabilities are settled over time through the transfer of economic benefits including money, goods, or services. Recorded on the right side of the balance sheet, liabilities include loans, accounts payable, mortgages, deferred revenues, bonds, warranties, and accrued expenses. It can be contrasted with assets. Liabilities refer to things that you owe or have borrowed; assets are things that you own or are owed. The liabilities listed here are actually referred to what you owe today. They are to be repaid over a period of time that varies in accordance to the type of liabilities. Your Total Liabilities are **RM141,000.00** and this amount can be separated into the following two categories, (a) Current liabilities and (b) Long-term liabilities:

(a) Current Liabilities

These are referred to the financial obligations that are to be settled over the next 12 months. Example: Credit card outstanding, unsettled income taxes, short/long-term loans, etc. Your current liabilities commitment is **RM9,000.00** and only for the purpose of taxation payment.

(b) Long-Term Liabilities

These are referred the financial obligations that are to be settled beyond 12 months. Examples: Mortgage repayment, car loan and others. We found that your long-term liabilities are only for payment of housing and car loans amounting to **RM132,000.00.**

Items	**RM**
Total Current Liabilities	**9,000.00**
Total Long-Term Liabilities	**132,000.00**
Total Liabilities	**141,000.00**

NET WORTH

By definition, Net worth is ***the value of the assets a person or corporation owns, minus the liabilities they owe.*** It is an important metric to gauge a company's health, providing a useful snapshot of its current financial position. This section consists of an analysis of your current financial position for Net Worth. Your Net Worth is the difference between your Assets and Liabilities, and ***it is referred as the amount you 'own' today***. From the information given and the statement of Net Worth, we found that your financial details are as follow:

Items	Amount (RM)
Total Assets	**1,270,000.00**
Total liquid Asset	**140,000.00**
Total Liabilities	**141,000.00**
Net Worth	**1,129,000**
Total Cash/Cash Equivalent	**120,000.00**
Total Investment Asset	**425,000.00**
Total Personal Used Asset	**725,000.00**
Current Liabilities	**9,000.00**
Long-Term Liabilities	**132,000.00**

Notes:
**She is a widow. Her husband passed away in 2006 and she is growing up her three children alone.*
**The tax paid for year 2021 was RM8,700.00 and She expected to pay tax for year 2022 - amounting RM9,000.00.*
**She is using a brand-new car (less than 2 years) with a low/free car maintenance cost for 5 years.*
**She is owing a Double Storey Terrace House with home loan payment RM1,453.00 per month and to serve/pay for another 21 months with an outstanding balance amounting RM30,000.00.*

The relationships between Net Worth, Total Assets and Liabilities.

NET WORTH = TOTAL ASSETS - LIABILITIES

Statement of Net Worth (A WIDOWER) For the Year Ending 31/12/2022					
ASSETS	**RM**	**RM**	**LIABILITIES NET WORTH**	RM	RM
Cash/Cash Equivalent			**Current Liabilities**		
Saving Acc	10,000.00		Out Standing Credit Cards	0.00	
Children Saving Acc	30,000.00		Personal Overdrafts	0.00	
Takaful Cash Value	80,000.00		Income Tax Payable	9,000.00	
Others	0.00		Others	0.00	
Total Cash/Cash Equivalent		120,000.00	**Total Current Liabilities**		9,000.00
Investment Assets			**Long-Term Liabilities**		
Shares (ASB)	100,000.0 0		Residential Home Financing Outstanding	30,000.0 0	
EPF-Shariah Savings	325,000.0 0		Investment Property Financing Outstanding	0.00	
Others	0.00		Car Financing Outstanding	70,000.0 0	
Total Investment Assets		425,000.00	Education Loan	32,000.0 0	
Personal Used Assets			Others	0.00	132,000.00
Owner Occupied Property	580,000.0 0		**Total Liabilities**		141,000.00
Home Furnishings	50,000.00				
Car Proton X-50	85,000.00		**Net Worth**		1,129,000
Jewellery Collections	10,000.00				
Total Personal Used Assets		725,000.00			
TOTAL ASSETS		**1,270,000.00**	**TOTAL LIABILITIES/ NET WORTH**		**1,270,000.00**

CASH FLOW STATEMENT / CURRENT CASH FLOW POSITION

A cash flow statement ***is a document that helps to track the general cash flow in the life of yourself and your family which assists in determining the long-term solvency, or the ability to pay bills.*** The cash flow statement shows the activity of money coming in and going out of your family daily activities during a specific time frame and helps with determining details on the family's spending habits, helps with maintaining an optimum cash balance by determining if there is too much cash lying idle or if there may be a shortage or excess of funds, helps to highlight ways for generating cash and is often useful for short-term planning by being able to analyse past incoming and outgoing transactions. Based on the Fact-Finding Sheet which provided by your goodself, we found that your last year cash flow statement results are as the following:

Inflows: Your Total Cash Inflows for the year 2022 is amounting **to RM124,635.50**

Outflows: Your Total Cash Outflows for the year 2022 is amounting **RM111,624.00**

Net Cash Flows: Your Net Cash Flow for the year 2022 is amounting to **RM13,011.50**

Cash Flow Statement For (A WIDOWER) For Financial Year End As At 31/12/2022.		
INLOWS	**RM**	**RM**
Gross Annual Employment Income	103,200.00	
Gross Annual Employment Bonus	12,900.00	
*EPF From Employer (12%)	12,384.00	
Sub Total		**128,484.00**
Less EPF Employee (11%)	(11,352.00)	
Less EPF Employer (12%)	(12,384.00)	
Less SOCSO	(150)	
Net Annual Income & Bonus		**104,598.00**
ASB - Annual Dividends (4.6%)	4,600.00	
EPF - Annual Dividends (4.75%)	15,437.50	

TOTAL CASH INFLOWS		**124,635.50**
CASH OUTFLOWS		
Fixed Outflows		
Resident Home Mortgage (one house)	17,436.00	
Car Loan Repayment (Proton-X50)	14,148.00	
Monthly Savings & Investment	12,000.00	
Car Maintenance/Road Tax/Insurance)	2,400.00	
Takaful/Insurance Premium for Medical	2,640.00	
Total Fixed Outflows		**48,624.00**
Variable Outflow		
Food	14,400.00	
Clothing	2,400.00	
Utilities & Telephone	12,000.00	
Entertainment	4,800.00	
Children maintenance	12,000.00	
Parent Allowance	2,400.00	
Vacations	6,000.00	
Income Tax	9,000.00	
Total Variable Outflows		**63,000.00**
Total Cash Outflows		**111,624.00**
NET CASH FLOWS (SURPLUS)		**13,011.50**

Notes:
**She is using a brand-new car (less than 2 years) with a low/free car maintenance cost for 5 years.*
**She is owing a Double Storey Terrace House with home loan payment RM1,453.00 per month and to serve/pay for another 21 months with an outstanding balance amounting RM30,000.00.*

Cash Flow Explanation

Cash flows are sources and uses of money. Primary sources of funds are income from work, Social Security, pensions, savings, Takaful proceeds, and other income events. Regular living expenses, education costs, and other planned expenses are the primary use of funds. The cash flow report pages are designed to be an alternate presentation of the financial information shown elsewhere in this report. The emphasis of the cash flow illustrations are the amounts and types of incomes and levels of expenses that occur during the illustration. During the working years, income from employment is generally the primary source of cash to cover expenses. In retirement, Social Security, pension benefits, and cash withdrawn from investment accounts are the major sources of cash to cover expenses. In general terms, the best case is to have the cash flow bars always at or above the expense line. This indicates that there is sufficient income, or investment asset sources, to meet living expenses and other planned needs. Tax estimates are based on earned income and investment income (adjusted for contributions to qualified retirement accounts) multiplied by the estimated net effective tax rates. The resulting tax estimate is added to inflation adjusted living expenses to create an estimated annual figure. The combination of Total Sources and Living Expenses & Taxes can create a surplus or shortage. A shortage indicates that expenses exceed incomes and sources. A surplus can indicate that incomes exceed expenses. During retirement, if money is withdrawn at the same level of need, no surplus or shortage will occur.