Planning a Halal Retirement

The Retirement Challenge

- General:
  - How much do I need?
  - What should I invest in?
  - What account type(s) should I choose?
- Halal:
  - How do I substitute for haram investments?
  - When should I pay zakah?
  - How do I purify partially haram profits?

The Halal Solution

- Account(s): choose a retirement strategy
- Fiqh: understand the rules
- Exposure: minimize haram investments
- Zakah: yearly vs lump sum
- Purify: donate haram income

Retirement Accounts

- Standard Brokerage Account
  - High control
  - No tax advantage or matching contributions
- Employer Sponsored: 401(k) etc
  - Tax advantage, matching contributions
  - Low control
- IRA
  - Tax advantage, high control
  - No matching contributions

Understanding Fiqh

- What makes an investment haram or halal?
- Is an investment fully or partially haram?
  - 5% threshold for haram profit
  - Mixed investments (ETFs, set portfolios)
- What about “ethical” funds?

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Haram Exposure

- Decision: abstain or purify?
- What is the cost of abstention?
  - 401(k): may lose out on employer contributions
  - Other investments: may take on unnecessary risk
- Minimize haram investments where possible, plan ahead for the rest

Paying Zakah

- Staying current simplifies compliance
- Applies to all accumulated wealth, including retirement accounts
  - Ranges from 2.5% (most assets) to 20% per annum, calculated separately by type of asset

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Purification of Haram

- Acceptable to hold partially haram investments so long as profit is donated
- How much of the portfolio is haram?
- Two approaches:
  - Purify on profit from the investment (typical)
  - Purify on all income by share (AAOIFI)

Summary

- Islam encourages financial responsibility, and discourages unnecessary risk-taking
- Common retirement strategies frequently involve haram solutions
- Shariah compliance does not mean avoiding specialized retirement accounts
- Plan ahead!