Issue January 2010

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EXCLUSIVE INTERVIEW

YBhg. Datuk Dr. Syed Othman Alhabshi

Chairman, MFPC Shariah Advisory Committee
Chief Academic Officer / Dean, International Centre for Education in Islamic Finance (INCEIF)

LAUNCHING CEREMONY OF SHARIAH FINANCIAL PLANNING AWARENESS PROGRAMME

Shariah RFP Registered Financial Planner

A Premier Financial Planning Designation of MFPC

RFP Registered Financial Planner

Your Pathway To Professionalism

MFPC
Malaysian Financial Planning Council
Competence.Ethics.Standards

Competence • Ethics • Standards

A Premier Financial Planning Designation of MFPC

RM300,000 MFPC Scholarship for Shariah RFP Programme

1. Objectives

- To promote Shariah financial planning education for the financial services practitioners in Malaysia.
- To promote Shariah financial planning as a profession.
- To encourage business expansion and /or new advisory business on Shariah compliance financial planning services.
- To promote and to enhance continuous professional development among the practitioners in the industry.

2. Scholarship Fund

- MFPC allocates RM300,000 as the total Shariah RFP Scholarship Fund.
- Targeted to benefit at least 300 MFPC Students.

3. Eligible Applicants

- Scholarship is opened to all MFPC Shariah RFP Student Members.
- Students who are registering as new students of MFPC are also eligible to apply for the Scholarship.

4. Terms & Conditions

- Scholarship is opened to both self-study students and class students.
- Scholarship is awarded to eligible applicants on reimbursement basis for M6 tuition fee and examination fee. Amount of scholarship granted is depending on option of study either via self-study or class attendance.
- Student applicants must have passed the Shariah RFP Module 1: Fundamentals of Shariah Financial Planning.
- Student applicants who wish to apply for the Scholarship shall register for Shariah RFP Module 6: Retirement Planning and sit for the said examination. Scholarship is awarded to MFPC Students who have passed the Shariah RFP Module 6 examination only.
- Student applicants are given only one chance to resit the Shariah RFP M6 examination if necessary.
- Scholarship is awarded to eligible student applicants on first come first serve basis.

5. Application Procedure

- Student applicant shall apply for the Scholarship by submitting a duly completed Scholarship Application Form to the MFPC Secretariat.
- One (1) student who must also be an active Student Member of MFPC is entitled to submit only one (1) Scholarship Application Form.
- Effective 16 January 2010, MFPC Secretariat shall accept any number of applications; however scholarship will be awarded to those who have passed the Shariah RFP M1 & M6 and these results/transcript have also been submitted and duly verified by the MFPC Secretariat on first come first serve basis.
- The Shariah RFP Scholarship Committee reserves the right to evaluate scholarship eligibility and entitlement; all decisions made by the Scholarship Committee shall be final.

6. Award of Scholarship

- Upon passing Shariah RFP Module 1 and M6, Student applicant shall submit the Shariah RFP M1 & M6 result slips/transcript to the MFPC Secretariat for his/her scholarship disbursement.
- Award of scholarship shall be disbursed to the scholarship recipient in a form of cheque.
- One (1) scholarship recipient is entitled to receive only one (1) time of M6 scholarship disbursement.
- MFPC shall recognize the Scholarship recipients in the MFPC official publications i.e. Financial 1st Magazine and/or press and media.

MFPC Malaysian Financial Planning Council Competence.Ethics.Standards

For Scholarship application and enquiries, please contact the MFPC Secretariat @ 03-2694 5899 or e-mail to mfpc@mfpc.org.my. Thank you.

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EDITOR'S NOTE

Happy New Year 2010 to all our members and readers! In the past year we were unfortunate to have experienced a worldwide economic crisis and the threat of an AH1N1 or Swine Flu pandemic. We have still to recover but we optimistically hope that 2010 will bring with it better times so we can all move forward.

The MFPC has been playing a vigorous and proactive role in promoting Islamic Financial Planning to the public. In our continuous efforts to support this mission, we have been privileged to obtain the expertise of Y Bhg Datuk Dr. Syed Othman Alhabshi, Chief Academic Officer / Dean, International Centre for Education in Islamic Finance (INCEIF), as Chairman of the MFPC Shariah Advisory Council. The special feature in this issue of financial 1st is an interview with him where he shares his views on a number of issues concerning Islamic Finance in Malaysia.

Meanwhile, during the past few months, MFPC successfully conducted a series of workshops and seminars and actively participated in various activities for the benefit of our members. One main event was the Launching Ceremony of the Shariah Financial Planning Awareness Programme at which we were honoured to have Y. Bhg. Tuan Haji Omar bin Abdul Rahman, the Deputy Secretary General of the Ministry of Higher Education officiate at the ceremony on behalf of Y. B.Dato' Seri Mohamed Khaled Nordin, Minister of Higher Education. You can experience these memorable occasions in the photos in this issue.

Last but not least, we are also happy to inform that effective from January 2010, Student Members of MFPC will also be given a copy of Financial 1st magazine. We hope all of our members will be benefited from reading the MFPC up-dates and financial related articles in Financial 1st! Thank you.

Editor-in-Chief

Phang Kar Yew

Feedback?

We welcome your comments and views in our Financial 1st for future improvements and your feedback may be published in our future issues. Please forward your letter by email to mfpc@mfpc.org.my or by post to:

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YBhg. Datuk Dr. Syed Othman Alhabshi

Chairman, MFPC Shariah Advisory Committee
Chief Academic Officer / Dean, International Centre for Education in Islamic Finance (INCEIF)

A renowned personality in Islamic Finance, YBhg Prof Datuk Dr Syed Othman Alhabshi, Professor in Islamic Economics and Dean at INCEIF, has vast knowledge and experience in Islamic Finance. In this exclusive interview, this pioneer in Islamic Finance in Malaysia gives us his views on the developments, future and opportunities in Islamic Finance.

Datuk, could you elaborate on the guidelines and infrastructure that are in place or being put in place in the nation's efforts to achieve the objective of positioning Malaysia as the hub of Islamic Finance and as a centre of education in Islamic Finance?

Let me begin with the beginning of the development of Islamic finance in Malaysia. When the first Islamic bank was established in 1983, I think it was a coincidence that the International Islamic University Malaysia (IIUM) was also set up in the same year. Although it was probably not planned to be that way, IIUM began operations officially in May 1983 while Bank Islam Malaysia was established in August of the same year.

I mention this because after a while, we found that having an Islamic bank alone was not sufficient to develop the infrastructure. IIUM contributed significantly to the building of all that we have built so far such as the Takaful companies and allowing what we then called interest-free windows in banking. This contribution was through producing the suitable type of graduates. The university started with only two faculties, the Faculty of Economics and the Faculty of Law, both of which played a large role in this respect. In fact, many of those currently in the industry came from IIUM.

When the first group of students graduated in 1987, the economy was in recession and they were worried they would be unable to find employment. I had to make a contribution so I played my part by calling up a few people, one of whom was one of the Advisors of Bank Negara Malaysia. Now the Advisors are called Deputy Governors. Well, I told him that I had a few graduates knowledgeable in Islamic banking and economics and suggested that BNM should employ a few so that they could be the "seeds" for the further development of Islamic banking in the country. He agreed and the Bank took in two graduates. To me, this was very significant. However, very few people realise the significance of this. Credit, I feel goes to Tun Dr Mahathir for launching both Bank Islam and IIUM. What I just spoke about demonstrates how we can develop the Islamic finance industry. We need not just the infrastructure. Equally vital is the human talent. Even though we may have all the necessary infrastructure in place, there will be no growth without knowledgeable human talent.

The establishment of Bank Islam and IIUM was followed by Bank Negara setting up a Jabatan Perbankan Islam dan Takaful. If this development had occurred earlier, I feel the growth of the industry would have advanced further. Anyway, the timing was still good.

To me, the regulatory framework is one of the main building blocks in the growth of Islamic finance. Without this, the growth cannot advance. Malaysia is the only country that I know of where the regulatory framework precedes the activities in the industry. The Bank Islam Act came into force in 1982, while Bank Islam was set up in 1983. Similarly, the enactment of theTakaful Act in 1984 preceded the establishment of Syarikat Takaful Malaysia in 1985.

So, we do have the regulatory infrastructure and we do have the players and we do not rush into things. We waited for 10 years until Bank Islam was well-established and listed in the stock market before we opened up the industry to other banks to participate in interest-free banking. This demonstrates that we are cautious while being practical and serious in order to ensure we succeed. In other words, we built the industry step by step.

Why did we call it interest-free banking and not Islamic banking at the beginning? This was because we wanted the system to be inclusive, for Islamic finance and Islamic banking not to be confined to Muslims only. We wanted it for everyone, Muslims and non-Muslims alike

However, one Islamic bank is not enough. Only when you have a number of players can we set up an Islamic finance system. Inter-bank lending cannot take place with just one bank.

Soon, other countries began to develop an Islamic banking system, for example Singapore and the UK. Unfortunately, this was done without the establishment of the legal infrastructure necessary for the establishment of an Islamic banking system. This is because the mechanism for Islamic banking is different from that of conventional banking.

The playing field is not going to be level. For example, when one takes a loan, Stamp Duty has to be paid based on the loan amount. In conventional banking, if the market value of a house is RM 80, 000 and you take a RM 60,000 loan, Stamp Duty on the loan amount will have to paid. In Islamic Banking, however, you are trading and not taking a loan; you are buying and selling. So, the Stamp Duty to be paid will be based on RM80, 000, which is the market value of the house. There is, therefore, a difference. As such, if you do not provide the regulatory infrastructure, there is certainly not going to be a level playing field.

In Malaysia, what Bank Negara has been doing is to create a level playing field in every aspect. So, if you opt for Islamic finance, you know you are paying the same, not more nor less.This is extremely important. Otherwise, you immediately put Islamic banks out of the competition.

Some people say that with Islamic finance, it is more expensive. Well, I sit on a number of Shariah Advisory Councils, one of them being that of MIDF. When I asked one of the managers what percentage of their clients is non-Muslim, the reply was 100%. When I asked further why this was so, he answered that it was out of choice. After the two previous economic crises, they realised that choosing Islamic financing was more advantageous as the instalments do not change. Whether the interest rates go up or down, it does not matter. The Islamic financing system provides stability as it becomes easier for them to forecast their costs. Islamic financing has also proven to be more resilient in turbulent economic times, making it good for businesses.

However, I must say that if the operators of Islamic banks are as efficient as conventional banking operators, they will be able to provide better service and rates. I am not condemning them, just stating a fact. So, the challenge lies in the operation and not in the mechanism nor the principles behind the Islamic financial system.

What can we do to overcome the various issues and the challenges facing the Islamic finance industry in the prevailing market environment?

One issue we need to tackle is that of operators' being not well-equipped with knowledge concerning the system of Islamic finance. Let me give you an illustration. A man in Saudi Arabia wanted to buy a car for 50,000. When he went to the bank to get financing for his purchase, he asked how much he would have to pay back in total over the period of financing. The answer was 60,000. At this, the man replied that that involved interest. The banker replied that no, it was not interest but that was service charge. In essence, both did not understand the system. The situation is no different in Malaysia.

There is a dearth of people who actually understand the system. So, how do you make the public aware when you yourself do not understand? Increasing the knowledge of those in the industry is an important issue. I was once invited to be a speaker at a seminar organised by OCBC's Islamic banking arm, Al-Amin. The audience comprised industry personnel as the aim was to make those in the industry understand the system of Islamic finance. We must continue with efforts such as this. Unless there is a good understanding of Islamic finance, it will not be appreciated.

Another issue concerns the quantity of human resource required. A large number of branches of those in the Islamic finance industry are being established. So, the need is for not only for more but also more knowledgeable human resource for the industry. The current practice is to "pinch" staff, which does not address the issue.

With Bank Negara's granting of licenses to other players in the market and with the forces of liberalisation and globalisation of the marketplace, how can we position ourselves as a hub of Islamic finance and as a centre of Islamic education? Are we ready to do so? What is lacking and how do we move ahead?

As I stated earlier, we have adequate regulatory infrastructure and players in the market. The entry of foreign players will definitely see them taking a share of the market. Nevertheless, our hope is that they will also bring in capital.

We are also on the verge of offering two more mega licences with about 1 billion USD in shareholding. We obviously cannot expect local players to take them up; we expect the foreigners to do that. When the foreign players come in, we cannot expect them to be satisfied with the size of our market. So, what we expect is for them to enlarge our market by attracting business from outside the country. Only the global players will have the experience and capability to go global. Most of our local banks do not have that. Thus, we need others to teach us and for us to learn from them. I think this is what BNM hopes for.

I do not think that inviting foreign players will shrink the market as I think that the foreign players realise that they will have to bring business in to enlarge the market.

Are we prepared? Globalisation will definitely result in a completely different competition landscape. Competition will be stiffer as more players will be free to enter the market but don't forget that we, too, will be free to move out. Unless Malaysian companies wish to stay in their comfort zone and continue to do business only within Malaysia, they will be edged out.

A number of Malaysian companies, particularly in the consulting and construction businesses have begun to do business outside the country. However, this has not been the case for the financial industry. So, we have to be prepared to do that. If not, we will not be able to succeed as globalisation is another force against the weaker ones, against everyone, for that matter.

We therefore have to be strong and resilient. The positive thing about Malaysia is that we have developed the resilience, particularly in the Islamic financial industry. People outside the country do recognise the strength that Malaysia possesses. They know that we are one country that has proven to have been doing business the Islamic way successfully for the past 25 years. In other words, we have a good track record. Even INCEIF, for example, is an institution that many countries have heard of.

Further, we have a royal ambassador, DYTM Raja Nazrin, who goes to various countries as an ambassador for Islamic Finance in Malaysia. This, in my opinion, is another good strategy.

In addition, the Malaysia International Financial Centre (MIFC) is another one of our strategies. This is not an institution; its focus is on strategies to promote Malaysia as a major hub for international Islamic finance. We also have the Islamic Financial Services Board which focuses developing international standards. So, yes, we have the preparedness to meet the challenges of globalisation and the expanding market. Our commitment in this respect is very strong.

Datuk, Asia is expected to take the lead in economic recovery, with China taking the lead, followed by India. This will involve about two billion people. How can we capitalise on this and export our expertise to the region in a more influential way?

We have to work together with the others in the region. In this regard, at INCEIF, we have set up the International Shari'ah Research Academy for Islamic Finance. In 2009, we brought together scholars and practitioners to discuss certain issues in Shariah that may be practised differently in Indonesia as compared to Malaysia, for example. Our aim was to pick up three issues so that all can see the same point and feel the commonality. This was in order to resolve differences and for us to come together.

This peaceful resolving of differences is workable if you consider that Islam was spread very peacefully in this region. So, we can use this strength that as we never fought with each other, why don't we unite?

INCEIF will have such meetings regularly in various countries in this part of the world. This will create a wave of awareness in which we will demonstrate the need to come together. China and India will be included in this effort to work together peacefully, as will Pakistan and other Asian countries. This part of the world is going to be affected by the upcoming scenario and if we are not prepared, Malaysia will lose out. All that we have developed and built will go nowhere.

The forecast is that there will be an increase in the Muslim population in Europe. Further, there is a large and growing Muslim population in China and in this part of the world. This will of course result in the growth of and the need for Islamic finance. How can we enhance the capabilities of our human resource in order to capitalise on this?

At INCEIF, we have developed the Chartered Islamic Finance Professional (CIFP) programme which is equivalent to a Masters degree. We hope this professional and very practical qualification will be looked at by the market as a qualification required to enhance the development of their own human resources.

Further, we have academic programmes at the Masters and PhD levels. No other PhD programme in Islamic Finance can match ours in terms of quality. We are the only ones to provide taught courses at the PhD level. All others in Malaysia and even overseas offer mainly PhD programmes by research. In order to provide taught courses at this level, we must have highly knowledgeable teachers. W e have been able to do this.

So, to answer your question, we need to provide quality education. To develop and attract human resource, quality is very important. This is a strength we have created and we are moving forward with this.

We have also created the first INCEIF Chair of Islamic Finance. We have managed to engage a recently-retired IMF Executive Director with 24 years' of experience. We want to leapfrog so we are spending a lot of money to attract quality teachers and students and to build up the brand. Only then will we be able to attract others.

BNM is also providing attractive scholarships to Malaysians and foreigners. It is also providing the money to pay for professors to come and teach at INCEIF. Our hope is our graduates, Malaysians and foreigners alike, will become ambassadors of Islamic finance.

INCEIF is thus playing its role in terms of quality and we will next focus on quantity. Quality with quantity: that is what we want.

Datuk, you have been instrumental in the development of MFPC's Shariah RFP Programme. Looking into the future, how can the MFPC continue to work together with INCEIF? Also, what are the initiatives that have been taken by both the MFPC and INCEIF with regard to the continued professional development of Shariah RFP graduates?

The Shariah RFP Programme provides a strong foundation in Islamic finance, allowing financial planners to obtain very good knowledge of Islamic finance. However, more needs to be learnt. As Financial Planners meet people in the course of their doing business, increased knowledge becomes very necessary.

INCEIF has already agreed to offer Shariah RFP graduates exemption from one course in the CIFP, opening up a path for continued professional development. For those with a degree, there is no problem continuing. For those with a Diploma, 5 years' work experience is required while those with A-level qualification must be at least 35 years of age and with 3 years' work experience.

Also, you can choose to study online or part-time and also take your time. The programme is very flexible and provides an excellent opportunity for professional growth.

It is vital that, to succeed and to stay successful in the business, Financial Planners must always be aware of what developments will take place in the future.

Many non- Muslims are keen to move into the area of Islamic Finance. They may be very knowledgeable in the area but there unfortunately seems to be a negative perception and a low acceptance level of non- Muslim Islamic Financial Planning practitioners. How can we overcome this challenge?

Interestingly, there is no such problem in England, for example. Many professors who teach Islamic Finance at the PhD level are non-Muslims. Many Muslim students doing their PhD have non-Muslim professors as their supervisors. These non-Muslim professors in Islamic Finance are also very famous and have contributed much in the way of writing on Islamic Finance.
In fact, a German non-Muslim professor sits on the INCEIF Governing Council. So, I do not feel that this should be an issue.

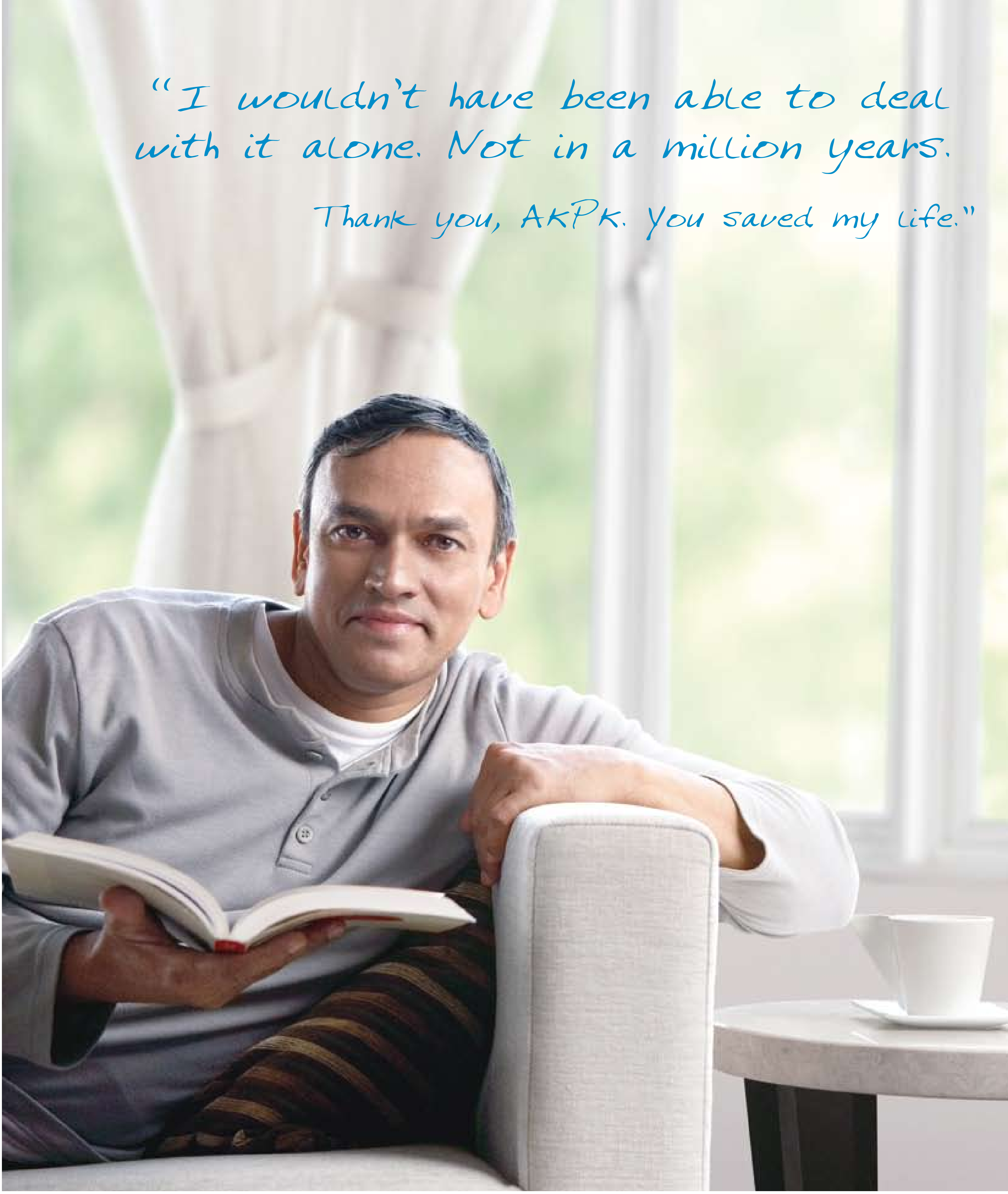
In one particular company, the amount of Takaful contributions rose significantly thanks to a non-Muslim agent! After overcoming some objections, we now do have more non-Muslim Takaful agents and many of them are very successful. I once participated in a seminar organised in Sabah by OCBC's Al-Amin and there were only two Muslim speakers. The rest were non-Muslims!

What we should do is to go on striving for acceptance. We must remember that it is generally thought that a person who does not practise or believe in the religion will not have the same sentiments as someone who does.

As for teaching, there will an increased need for people to teach on the Shariah RFP Programme and there are not enough Muslims to do that. What I have suggested to Mr Kee is that team teaching is a practical solution. You thus will have both Muslims and non-Muslims teaching together. This will raise the acceptance level and reduce any negative perceptions. Also, quality will be improved.

Finally, Datuk, do you have any advice for the MFPC in going forward?

The first step is to raise awareness through classes and publicity. The next is to build the MFPC brand. There is also the need to continue to anchor with BNM and the SC. Added to that, you have the pathway to INCEIF.


"I wouldn't have been able to deal
with it alone. Not in a million years.
Thank you, AKPK. You saved my life."

Mr. Kee Wah Soong
President , MFPC

Good Morning and Happy New Year to all MFPC Members! First and foremost, may I wish you bundle of wealth and health in year 2010!

Shariah RFP Programme

We are extremely pleased to announce that our newly developed Shariah RFP progamme is approved by Bank Negara Malaysia as a professional qualification for the application of the Financial Adviser License and Financial Adviser Representative License. We strongly believe and envisage that the Islamic banking and financial services segment will experience a robust transformation and development locally and internationally.

I would like to take this opportunity to encourage all our fellow MFPC members and financial services practitioners to acquire and equip ourselves with more knowledge and professional designation in Islamic banking and Shariah financial services to capitalize and benefit from the robust exporential growth in the Islamic Finance Business locally.

The Shariah RFP Programme is a new syllabus that comprises of 7 modules on Shariah Financial Planning. The 7 modules are:-
Module 1: Fundamentals of Shariah Financial Planning.
Module 2: Risk and Takaful Planning
Module 3: Shariah Investment Planning
Module 4: Zakat and Tax Planning
Module 5: Shariah Estate Planning
Module 6: Retirement Planning
Module 7: Application in Shariah Financial Planning

There are two common modules between RFP Programme and Shariah RFP programme; these modules are M4 Zakat & Tax Planning and Module 6 Retirement Planning. This is to say that if you are RFP, you will be exempted for these two modules for Shariah RFP Programme.

In tandem with the industry development, we believe that the prospect and demand for "Shariah RFP" will be bright and strong in the near future. By introducing Shariah RFP, we certainly believe that MFPC could increase the pool of Islamic finance expertise through training and education; and help to provide better understanding of the influence of Shariah in Financial business.

We believe Shariah financial planning knowledge and skills would provide financial practitioners and young undergraduates with better opportunity for employment and/or to hold key positions in the Islamic finance and Takaful industries. At MFPC, we focus our efforts in working hard to bridge the gap between professional practices and academic knowledge, we are certain that financial practitioners including financial planners, unit trust consultants, insurance agents, takaful agents and bank's staff and many more financial practitioners will be greatly benefited with the introduction of Shariah RFP programme.

We are ambitious to research and develop Shariah RFP Programme as an international benchmark qualification that will equip practitioners with professional yet practical skills to practice Shariah financial planning; to be prepared to set up new business or to expand their existing business to provide value added advisory services to their clients.

For non-Muslim practitioners, we also like to encourage you to take this opportunity to embrace the changes in the industry, continuous learning will allow us to learn and to be more understanding with our clients and business partners that will ensure continuous business growth and business expansion in the near future. Shariah RFP is not mainly for our Muslim friends but for ALL Malaysian; especially for those willing to learn and re-learn new skills and knowledge. It is a new subject matter, and it is an education for all of us.

Ladies and gentlemen,
MFPC will focus on providing more opportunities to our practitioners and young undergraduates in Malaysia, we sincerely hope and plan forward with your continued support and encouragements, the Shariah RFP progarmme will be promoted to the regional countries like China, Indonesia and Vietnam at a later stage.

Examination Facilitator for the Shariah RFP Examinations

Today, we are extremely pleased to announce to you that Majilis Peperiksaan Malaysia (MPM), a statutory body under

the Minister of Education (MOE) established on 1 February 1980 is appointed as the Examination Facilitator to conduct the Shariah RFP Examinations effective March 2010. We are confident that with its many years of experience in administering university, school (STPM) and professional examinations; to be precise, with 30 years of experience; MPM shall conduct the Shariah RFP Examinations professionally and effectively.

Being the Examination Facilitator; MPM is entrusted to manage the Shariah RFP Examination Question Bank and to administer the Shariah RFP examinations from Module 1 to Module 7 nationwide.

MPM's scope of services including;

- Assembly of examination papers
- Formatting question papers
- Appointing invigilators and Examination Centres
- Issue Examination Authorization Slips to the Students
- Tabulate results and to conduct results analysis
- And finally issue notification of examination results to the students

Please be informed that 6 examination centers are scheduled at Kuala Lumpur, Penang, Kuala Terengganu, Johor Bahru, Kuching and Kota Kinabalu.

We will offer 4 intakes of examination annually under management of MPM; March, May, August and November intakes. We will offer 4 Shariah RFP papers for this coming March and May Examination Intakes; and all examination papers for the entire 7 modules will be offered by August 2010.

With this, we are certain that MPM will be attending the MFPC Examination Board meetings regularly; and we anticipated a very close working relationship with MPM in the near future.

Please allow me to take this opportunity to express our sincere gratitude to En. Omar Abu Bakar, Chief Executive of MPM and his dedicated team to act spontaneously and swiftly to make this collaboration a success; and we shall work continuously to ensure an international benchmark examination quality is being adhered to in all our Shariah RFP Examinations.

RM300,000 MFPC Scholarship for Shariah RFP Programme

Ladies and gentlemen,

To start a new year 2010 and another milestone for MFPC, I am indeed very happy and honored to announce to you that MFPC National Council together with our Advisory Board and Shariah Advisory Committee (SAC) have endorsed and established the Shariah RFP Scholarship Fund worth RM300,000 to benefit our Members!

The main objectives of this scholarship are:

1) To promote Shariah financial planning education to the financial service practitioners in Malaysia.
2) To promote Shariah financial planning as a new profession.
3) To encourage business expansion and/or new advisory business on Shariah compliance financial planning services.
4) To promote and to enhance continuous professional development among the financial planning practitioners in the industry.

This scholarship is opened to all Shariah RFP students, for both self-study and class students; for new and old student registration on first come first served basis effective 16 January 2010.

For your quick reference, Scholarship is awarded to eligible applicants, for those who have passed Shariah RFP Module 1 and Module 6. Scholarship is award for passing module 6 and the amount of scholarship granted is depending on option of study chosen by the student either by self-study or by course.

The targeted beneficiaries of this scholarship are at least 300 Shariah RFP students at FIRST COME FIRST SERVED basis. Please obtain the Scholarship Application Form and Shariah RFP Registration Form at the MFPC Secretariat Office. We look forward to receive your application and registration as soon as possible!

Scholarship information and application forms are available at the MFPC Secretariat; members are invited to contact the Secretariat office or refer to the advertisement in this magazine.

Other Programmes Conducted by the MFPC

i) **3rd Special Accelerated RFP (SEAR) Programme**
The 3rd Special Accelerated RFP (SEAR) Programme was conducted in October 2009 at the Shangri La Hotel. This programme is approved by Bank Negara Malaysia and the Securities Commission Malaysia. SEAR attendees comprised qualified and selected senior management officers from the insurance industry, banks, PNB and other institutions.

ii) **Certificate of Proficiency in Financial Planning (CPFP)**
An important development is the introduction of Module 7 (M7) classes as a stand-alone certificate. This will be known as the Certificate of Proficiency in Financial Planning (CPFP).

Previously, our M7 required students to construct a professional financial plan for clients. As such, only those who had completed Modules 1 to 6 were eligible to sit for M7 examinations. However, the MFPC received positive feedbacks that our M7 classes should be open to all those who are ready and keen to practice financial planning skills. Thus, the MFPC National Council has agreed to review the

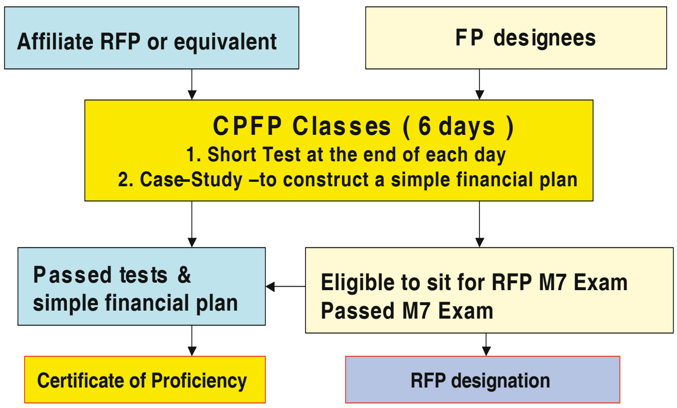
M7 classes and to introduce the Certificate of Proficiency in Financial Planning.

The CPFP allows students to enrol for the programme without the pre-requisite of passing Modules 1 to 6. The minimum entry requirement for the CPFP is an Affiliate RFP or a pass in Module 1 and one other Module. The programme is ideal for those wanting to attend it as part of their self development and to gain additional knowledge.

This certificate programme provides practice in management skills that will assist students to apply financial planning skills immediately upon completing the CPFP.

The route to attaining the CPFP is illustrated below:

Certificate of Proficiency in Financial Planning



Once again, I would like to end by wishing all our Christian members a Merry Christmas. Also, a Happy and Prosperous New Year to all our members. May 2010 bring with it growth and success in your careers and your business endeavours. We at the MFPC will continue in our mission to support the professional growth of our members, the financial services profession and the industry as a whole.

Thank you.

BANK ISLAM

回银 Al-Awfar 季度抽奖
让您有机会赢取现金巨奖

凯鲁卡玛鲁丁（右）颁发 10 万令吉现金奖予第一次抽奖活动的首奖得主。

凯鲁卡玛鲁丁（左）及回教银行董事经理拿督斯里朱基利沙末（右）颁发现金奖予第二次抽奖活动的首奖得主。

回教银行（Bank Islam）于今年4月25日推出的Al-Awfar储蓄和投资户口-i，截至今年10月20日，此产品的投资存款额达2亿3千7百万令吉，共有6万5千858个储户。

回教银行消费金融总经理凯鲁卡玛鲁丁有信心，Al-Awfar储蓄和投资户口-i截至今年底的存款额将达3亿令吉。

Al-Awfar储蓄和投资户口-i是首个由一家回教银行符合所有回教教义要求所推行的产品。Al-Awfar意思是"丰盛投资"，是一个以盈利分享（Mudharabah）合约为基础的独特储蓄和投资户口。

与普通回教银行储蓄和一般投资户口-i（GIA）不同，Al-Awfar储蓄和投资户口-i提供一系列附加特点，包括预计您的储蓄和投资（若有）的营利分享（Mudharabah）回酬的奖励户口。此附加特点让您有机会获得回教银行在季度性抽奖的现金奖。

凡持有Al-Awfar储蓄或投资户口-i的客户，将有机会在每3个月举行一次的抽奖活动中获取10万令吉现金奖。储蓄户口客户最低初期存款只需存入100令吉，每存入的100令吉就相等于1次抽奖机会。

回教银行已分别在7月13日及10月26日颁发现金奖予2次抽奖活动中幸运被抽中的客户。此现金奖的金额由回教银行提供，并非从Al-Awfar储蓄和投资户口-i所赚取的利润中拨出，每个季度现金奖总值17万5000。

Al-Awfar 面面观

Q：Al-Awfar 储蓄和投资户口-i 是否遵从回教律法（Shariah）？

A：是。回教银行的回教律法监督理事会（Shariah Supervisory Council of Bank Islam）于2008年4月7日的第102次会议上批准此产品。

Q：抽奖活动是否是在对公众有足够透明度的情况下进行？

A：是的。整个抽奖过程将由一支特设的独立抽奖委员会监管。

Q：回教银行将客户所存入的资金投资在哪儿？

A：回教银行将资金投资在由银行的回教律法监督理事会批准并符合回教律法的投资内。

Q：您如何获益？

A：客户将有资格参加季度性抽奖和享有收到现金奖的可能性。现金奖结构如下：

名次	现金奖	季度性奖品数量
首奖	RM100,000	1
第2奖	RM10,000	1
第3奖	RM5,000	1
第4奖	RM1,000	3
第5奖	RM500	5
第6奖	RM250	18
第7奖	RM100	500

Al-Awfar 储蓄和投资户口-i 产品详情

特点	储蓄户口-i	投资户口-i
最低初期存款	100令吉	• 1000令吉：1个月期限 • 500令吉：3至60个月期限
最低余额	100令吉	-
利润分享比率	98 : 2 (银行: 客户)	70 : 30 (银行: 客户)
	可于任何时刻更改	
可开设户口人士	个人、协会、学校/大学、俱乐部/社团、宗教团体	
参加抽奖资格	每100令吉 = 1参加资格	
抽奖次数	季度性	

Introducing a FIRST'in Islamic banking. An innovative Mudharabah-based account that gives you the opportunity to get a grand prize of RM100,000 cash every 3 months. Who knows, you could be getting more for your money!

DEPOSIT RM100 AND YOU MAY GET RM100,000!

Features	Savings Account-i	Investment Account-i
Minimum Initial Deposit	RM100	• RM1,000:1-month tenure • RM500 : 3-to 60-month tenure
Minimum Balance	RM100	-
Profit-Sharing Ratio	98 : 2 (Bank : Customer)	70 : 30 (Bank : Customer)
	Subject to change from time to time.	
Who Can Open An Account	• Individuals • Associations • Schools/Universities • Clubs/Societies • Religious Institutions	
Eligibility to Enter Prize Draw	Every RM100 = 1 unit of entry	
Frequency of Prize Draw	**Quarterly** *Frequency of the prize draw and the date of the prize-giving ceremony are subject to change at the Bank's discretion.*	

HOW DO YOU BENEFIT?

Customers will be entitled to participate in the quarterly prize draw and enjoy the probability of receiving cash prizes. The cash prize structure is as follows:

Prize	Cash Prizes	No. of Quarterly Prizes
1st	RM100,000	
2nd	RM 10,000	-----------
3rd	RM 5,000	
4th	RM 1,000	3
5th	RM 500	5
6th	RM 250	18
7th	RM 100	500

All cash prizes are provided by the Bank. Terms and conditions apply.

A QUICK LOOK AT AL-AWFAR

What is Al-Awfar Savings Account-i & Investment Account-i?
Al Awfar is a unique savings and investment account based on the **Mudharabah**, a contract of profit-sharing.

What is the meaning of Al-Awfar? Al-Awfar means **"prosperous investment"**.

What is the difference between Al-Awfar Savings Account-i & Investment Account-i and the normal Bank Islam Savings Account-i and General Investment Account-€ (GIA)?
Al-Awfar Savings Account-i & Investment Account-i are rewarding accounts that offer a host of additional features, which include expected Mudharabah returns on savings and investments (if any). This is in addition to the opportunity to receive cash prizes from the Bank through a quarterly prize draw.

Are Al-Awfar Savings Account-i & Investment Account-i a form of gambling?
NO. Al-Awfar Savings Account-i & Investment Account-i are free from any element of gambling.

Are Al-Awfar Savings Account-i & Investment Account-1 Sharjah-compliant?
YES. The Shariah Supervisory Council of Bank Islam approved this products in its 102nd meeting dated 7th April 2008 (30 Rabiulawal 1429H).

Are prize draws allowed according to the Shariah Law?
YES. Prize draws are permitted if there are no elements of *nba* (usury), *gharar* (uncertainty) and *maysir* (gambling).

What is the basis of allowing such conducts?
· Quranic verses, namely chapters All 'Imran: verse 44 and As-Saaffaa: verse 141.
· Hadith narrated from 'Aishah RA: *"Whenever Prophet Muhammad SAW intended to go on a journey, he* used to *draw lots* among *his wives and would* take with *him* the one on whom *the lot fell." (Al-Bukhari)*

Is the draw performed in a manner that is transparent to the public?
YES. There is an external independent draw committee who will observe the draw process.

What is the difference between Al-Awfar Savings Account-i & Investment Account-i and other competitors' products?
Al-Awfar Savings Account-i & Investment Account-€ are the first products of their kind introduced by an Islamic bank, which meet all Shariah requirements.

Where does Bank Islam invest the funds deposited by customers?
Bank Islam invests the funds in Shariah-compliant investments approved by the Bank's Shariah Supervisory Council.

Can the cash prizes received be used for Ibadah purposes, e.g. performing the Hajj and Umrah or given away as Zakat and Sadagah?
YES. The cash prizes come from a *Halal* source. Upon receiving the cash prizes, the customer is free to use it for any purpose.

Are the cash prizes taken from the profit earned through Al-Awfar Savings Account-i & Investment Account-€?
NO. The cash prizes are provided by the Bank and are not specifically derived from profits of Al-Awfar Savings Account-i & Investment Account-i.

Risk Management

Adeline Ong

RFP, Diploma in Business Administration (Singapore)

Insurance Planning

Risk management is a fundamental and crucial part of financial planning. Therefore, it is something that you can not afford to avoid or ignore as proper risk management planning is necessary for the various stages of our lives. However, most Malaysians ignore or avoid this in their financial planning.

Being many years in the insurance business, as a habit, I inevitably talk about insurance every time I meet people. Many people's first response is to tell me that they already have many insurance policies and they cannot afford any more. When I ask further how much and what cover they have, they cannot answer. Most of them are taken aback by my question.

I then ask if I can see their policies to check so I can give them a free review. I often discover that the amount and type of cover they say they have is different from that actually stated in their policies.

I remember a client who had taken only one medical policy with me for his son. For many years he had refused to let me take a look at his life policy until one day his wife asked me if he still needed to pay the premium as he had been paying the premium for more than 10 years. I told her that I had to check the policy document before I could answer. So she let me have a look at her husband's policy and guess what we found? For the first 10 years the cover was RM15,000 and after ten years the amount of cover left was only RM1,500. Yes, only RM1,500! How much had he paid? He had paid over RM10,000 and was left with so little coverage when he had almost reached retirement age. However, it was not too late to top up his life insurance but the premium he had to pay was much higher compared to 10 years before.

In such cases, many insureds or family members will blame the insurance agent/consultant who sold them the policy 10 years ago. Is this the type of cover you are looking for? Yes and no. Ten years ago you may have planned for this coverage and so you decided to take such a plan. Ten years on, will your needs be still the same? Definitely not. Your needs will have changed with time. So you have to work closely with your insurance agent/consultant or financial planner as and when your needs change. There must be a long term client-planner relationship. (RFPs need to follow RPS-CP.) We recommend that you get a yearly review on your policy as well as periodic impromptu reviews whenever changes in your life occur, for example when you get married, have a child, buy a new car, buy a new house or even get divorced.

There are four major aspects to risk management in insurance planning. These are life cover, illness cover, accident cover and hospital cover. In life insurance, there are also participating policies with company bonus (Par Policies), non-participating policies with company bonus (Non-Par Policies which may or may not have a cash value), cash value policies (Non-Par policies with a guaranteed cash value) or non-cash value policies (term insurance). My opinion is you cannot have it all in one plan. You will need at least two plans, one for pure protection and one for pure savings purposes. If you combine two into one, your premium will be very high or you will affect your savings under the same policy. This is a fact.

Many agents like to sell all into one plan to fulfil today's market needs as many people want things cheaply. I am sure you must have heard that good things do not come at cheap prices. Do you think it is possible to meet all your protection and savings needs by paying only RM150-RM300 monthly? Yes, it's possible for your protection needs but not your savings needs as well. For, say, a 35 year-old man, a non-smoker working as technician with life protection of RM100,000, RM100,000 cover for critical illness, RM300,000 hospital benefit, accident coverage of RM50,000 and a waiver premium benefit, the protection premium will already be almost RM1,300 a year. This amount excludes company charges, management fees (if it is investment-linked insurance), agent's commission, policy fees and other charges. If all these charges are RM700 a year, the premium will be RM2, 000 a year or RM166.66 a month. And if the agent calculates it at RM200 a month for you, your actual saving is only RM33.33.

In the case of EPF, there is self-contribution at a minimum of RM50 a month. I would advise that you only pay RM166.66 monthly for protection and save RM50 monthly for your EPF contribution. This is definitely not enough but at least you have something which is better than nothing.

Have you ever thought why, for example, you need RM100,000 life cover and RM100,000 critical illness cover? Who determines this amount? You yourself? And why and how do you determine it as such?

There are two ways of determining how much cover you should have. The first is by the human life value method, which is the calculation based on your income-earning ability. The second is by the needs analysis method that is calculated based on your monthly expenses. In the case of households with sole breadwinners, the amount of cover needed will be larger compared to households with double income earners or those who are single.

Let us look at medical cover. Check out the treatment fees for critical illness at the most expensive hospital in your area. My teacher had to spend more than RM150, 000 for treatment and medication for second stage breast cancer. Medical fees are constantly increasing and, never in history have they decreased. This is why you have to review your policy at least once in two years. For this risk, most insurance companies will insure you up to a maximum of five times your annual income.

You may fall sick or meet with an accident regardless of whether you are rich or poor. Of course proper planning will not guarantee you won't get sick or meet with an accident. With proper planning, you can get treatment without worrying about the bills to be paid. Worrying about the bills may worsen your health situation, don't you agree?

My friend's father was diagnosed with kidney cancer. He received initial treatment at a private hospital but later decided to get it at a government hospital instead. At the government hospital, he received different treatment as compared to what he had got at the private hospital. He did not need to spend almost half a day in the private hospital but he had to at the government hospital. This is not because government hospitals are slow but they have too many patients as compared to private hospitals. Moreover, as not all medicines are provided free at government hospitals; he had to purchase certain medicines from other sources.

Getting adequate medical insurance is therefore very important. So, make sure your medical insurance is sufficient for you in the event of the worst-case scenario occurring.

You can go to www.insuranceinfo.com.my if you want more information.

Motor Insurance

All general insurance companies have their own method of car valuation, either by using their own adjuster or a third party. Some companies provide this valuation service free and one can even get a free valuation on some websites. To prevent being underinsured without realising it, I would advise caution when accepting the free valuation offered by these websites. This is because you have to use the valuation determined by the particular company you purchase your motor insurance from.

Some years ago, I had advised a client to insure her Wira for RM20,000. The market value of her car was RM19,980 at that time. A few months later, the car was stolen while it was parked at her office car park. Guess how much the insurance company paid her? Many would misunderstand and guess that the insurance company had to pay RM20,000, the amount she had insured the car for. No, this was not so as the market value of the car had dropped within the few months by the time it was stolen. The company paid her RM19,000 because the car was valued at RM19,000 at the time of loss. This amount is considered the full value since she had insured it at the correct market value.

Let's look at another scenario. If the client had insisted on insuring her car for RM12,000 at that time, she would have been insuring it for only 60% of the market value of the car (12,000/19,980 x 100 = 60%). What would have happened is that when she submitted a claim, the company would have paid her 60% of her sum insured, which is RM7,200 (12,000 x 60% = 7,200). If she still had an outstanding balance of RM15,000 on her car loan, she would have had to pay RM7,800 to settle the loan. In this case, she would have been under insured.

Some people will say this is not fair. They say that if a car is insured for RM12,000, the insurance company has to pay RM12,000 in the event of a loss. On the contrary, this is fair as the car is insured at 60% of the market value and the company will pay only 60% of the Sum Insured.

To avoid any problems and misunderstanding, I advise you seek the advice of your insurance agent/consultant concerning the correct market value. Do not ask the car dealer or the second hand car seller as the value they will quote is only that of their price of the car; ask the particular insurance company that you want to insure your car with.

Jason Koeh
RFP, FChFP, ChLP, B. Eng (Hons)
Licensed Financial Planner
MQ Companies

Avoiding Probate in Financial Planning: Spare your family the aggravations of probate

As renowned business and management experts such as Tom Peters, Peter Drucker, Alvin Toffler and Gary Hamel so rightly believe, with the right application of knowledge at the right point in time, one will be able to gain enormously in every aspect of life. In this article we will understand probate, its disadvantages, the resultant but avoidable aggravations that accompany it and how to avoid probate. Having this knowledge and applying it at the right time will undoubtedly spare the family and heirs of a deceased the cause of needless stress and aggravation resulting from probate.

WHY PROBATE?

The purpose of probate is to establish clear ownership of your assets after your death. Before your estate is passed down to your children or heirs, the probate will have to determine and settle your income tax, debts, establish clear titles to everything you own and then distribute the estate according to your will or to intestate succession (if there is no will) as clearly stated under the Distribution Act 1958 (amended in 1997).

You may be wondering why your assets would have to go through probate even though you have established a will. The reason is simple. If your name is on the title of an asset and you die, probate is the legal way to take your name off the title and put the new owner's name on it.

Does every estate have to go through probate?

The size of the estate determines whether it will be probated. If the value of real property (land or house) exceeds RM600, 000 or if the total estate including personal assets exceeds RM600, 000, the estate will have to go through probate. If your estate is under the allowed limit, a simple affidavit procedure may be substituted for the lengthy and costly probate process. However, since most people have a house or land valued over RM600, 000, only a limited number of individuals are spared from the probate process.

Do all assets have to go through probate?

Not everything you own will automatically have to go through probate. For example, a jointly owned bank account subject to the survivorship clause may generally avoid probate while one account holder is alive. However, after the second account holder's death the asset may have to go through a probate process. Also, assets with named beneficiaries such as insurance policies and EPF accounts will be spared from probate as long as the beneficiary is alive.

Length of probate

Many individuals assume that they have a simple estate and do not have to worry about a long probate process. This misconception is very common. For most estates, probate lasts between 6 months to two years or longer. In many cases it can go to three or four years. Regardless of how simple an estate appears to be, it would be rare for an estate to undergo the probate in less than 6 months.

Lack of privacy

All probate transactions are easily accessible by the public. This may ultimately lead to unnecessary embarrassment which will eventually create family disputes, putting your loved ones at multiple risks.

Loss of control

In the event of your death, your entire estate will be distributed by the probate instead of your loved ones and the ultimate beneficiary will be solely dependent on probate as and when the process is completed.

Where is probate held?

A probate proceeding will be held in each county where your property is being held. If you own properties in more than one county, a Living Trust will avoid the agony and cost of commuting and administering two proceedings.

Two sureties needed

The administrator will find two sureties to guarantee the gross estate value for the Administration Bond. It is always very hard to get a guarantor, much less two sureties during the administration of probate.

But my parents' estate did not go through probate

Many individuals claim that they are unwilling to go through probate as their parents did not go through one either. In most of the cases, this is only advisable if the parents have less than RM600, 000 in their estate, in which case an affidavit will be sufficient.

Who will be responsible to take my estate through probate after I die?

There is no watchdog. Nobody is responsible to inform your children to go through the probate. They simply have no choice. Once you pass away, they will not be able to transfer the title of the assets or clear accounts without probate approval.

The bottom line

Probate is time consuming, inconvenient and expensive. Even at best, probate is an unpleasant, emotionally stressful experience. How then, can we avoid the aggravations that arise from a probate? A way to protect your family from all the avoidable frustrations is through the setting up of a living trust.

WHAT'S A LIVING TRUST?

A living trust, also known as a Revocable Living Trust or a Family Trust, is a legal document that holds the title or ownership to your real property and assets. When you create a Revocable Living Trust you are practically transferring ownership of your assets to the Trust. Transferring assets is typically called "funding." When you transfer the title you DO NOT relinquish any control. You can still buy, sell, borrow or transfer.

To many, the living trust looks a lot like a will. It includes the details and instructions on how you want your estate to be handled upon your death. However, unlike a will, a properly funded trust:

- Does not go through probate.
- Prevents the courts from controlling your assets at incapacity.
- Gives you full control over the assets you leave to your minor children or grandchildren.

Will I lose control of my assets?

No! The living trust is a written legal document that allows you, as the trustee(s), unlimited access to and full control of your assets during your lifetime. It also enables you to pass property after your death to family, friends and/or loved ones. It allows you to appoint anyone as a successor trustee to ensure that your property goes to your designated beneficiaries.

Does a will avoid a probate?

Many individuals are under the impression that their will alone is sufficient to avoid probate. Unfortunately, a will is simply an expression of your wishes and it will need to go through the court before the assets can be distributed to the heirs.

Probate will come into the picture regardless of whether a will is established as this is a legal process to net off all the outstanding liabilities of the deceased (i.e. income tax, creditors, etc) before the estate can be distributed accordingly as per the will.

How does a living trust work?

For a trust to be effective it has to own title to the property or asset. Remember, when you transfer the title of your assets into the trust, it is called "Funding your Trust." Funding is the process of transferring the name on accounts or property to the name of the trust. For example, accounts in the name of Chow Yun Fatt and Lin Qing Sia, would now be held as "Chow Yun Fat and Lin Chin Sia, Trustees of the Lee Family Trust. (dated and signed)"

When the assets are in the name of the trust there is no need for probate since the estate is now controlled by the trustee of the trust. You or you and your spouse can be the primary trustees receiving full control to buy, sell, borrow or transfer in case of your or your spouse's death. After both spouses pass away, the trust identifies the person who will act as successor trustee. The trust gives that person the right to manage all assets on behalf of your wishes made known in the trust document. Remember, you and your spouse will decide who will manage all affairs.

Who's involved in my living trust?

To better understand the trust, it is important to explain the different roles of the people who would be involved.

Grantor

This is the person who sets up the trust. This would be you. The grantor can be referred to also as the creator, settlor or trustor. As the grantor, you have full control to manage or change the trust at any time.

Trustee

The trustee is the person who will manage the assets in the trust. Again, this will most likely be you while you are alive. When a trust is created, the trustee is usually the same individual as the grantor. For married couples, the husband and the wife usually act as co-trustees. You do not have to be your own trustee if you do not want to or do not feel you are able to. You can name a child or friend or even an institution to manage your affairs for you while you are alive.

Successor Trustee

This person will manage your assets on your behalf when you die or if you become incapacitated. This person or persons will have the right to manage your affairs without the need for any probate court. The successor trustee will immediately have the same powers that you as grantor/ trustee had to buy, sell, borrow, or transfer the assets in the trust. More importantly, the successor trustee has the right to distribute the trust assets according to your instructions in the trust. This immediate control can allow your estate to be transferred to your children or loved ones right away, avoiding the time delay of probate which can usually be 6 months to 2 years or longer.

Fortunately for you and for the protection of your heirs, the successor trustee does not have the legal right to change your trust. The trust becomes irrevocable or unchangeable after the death of the grantor(s). However, the successor trustee does have the right to manage the assets in the estate, but must do so for the benefit of the beneficiaries.

Beneficiaries

The people who will receive the benefit of the trust assets are called the beneficiaries. Typically the estate will go to the surviving spouse. If there is no surviving spouse, assets will pass to the people you named in your trust. You are not limited as to who you can name to receive your estate. You can name your children, relatives, friends, or a charitable organisation as your beneficiary.

What happens after I die?

After you pass away, your successor trustee or co-trustee will have the same responsibilities an executor would have if you had prepared a will. However, since your trustee does not have to report to a probate court, everything can be done more efficiently and privately.

Other advantages of a revocable living trust

If an illness or accident leaves you incapacitated, your successor trustee can handle your financial affairs without the need for a court appointed guardian or conservator.If the beneficiaries of your trust are minor children or others who might not use the inheritance as you intend, the trust can continue to hold the assets until they reach a more mature age.Trusts are generally more difficult to contest than a traditional will. To invalidate a will, you must either prove that it was signed under duress or that the maker was incompetent on the day it was signed. To invalidate a living trust you would have to prove it was invalid not only on the day it was signed but each and every day it was in existence thereafter.It is almost impossible to contest a living trust. When a will is contested the assets are frozen and they cannot be distributed until the claim is resolved. Assets placed in a living trust are not frozen pending the outcome of a legal challenge. Anyone wishing to contest the trust must file a suit against each of the beneficiaries; in the meantime, the assets in the trust can be distributed.

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YOUR PATHWAY TO PROFESSIONALISM

MFPC Module 7 Classes

Why Module 7 Classes?

MFPC is organizing the M7 classes with the objective to assist and encourage the student members to complete the professional RFP designation speedily.

RFP designation is approved professional qualification for the Application of Financial Adviser/Financial Adviser Representative License from Bank Negara Malaysia and Capital Market Services License from Securities Commission.

What are the Benefits?

- M7 Classes focus on M7 examination preparation.
- M7 Classes prepare students to write a comprehensive financial plan.
- It is a practical programme with hand on experience to ensure that students learn and practice during the classes.
- M7 lectures are financial planning experts with at least 20 years of work experience in the financial industry.
- M7 classes have been proven as an effective and interactive platform where students will gain emotional support and technical assistance from lecturers and classmates.

Lecturers

- Mr. Roland Lee, Dr. Chai Kon Lim, Mr. Jason Ng

The training is valuable and gives more practical questions which are not found in the text. Keep up with the good work!
Selvamuthu Raja, Group Sales Manager, ING

The trainers are very experienced, willing to share their practising knowledge and able to propose solutions for various circumstances.
Edison Pang, Trainer, MCIS Zurich

A credit to the MFPC for organising a very good course delivered by professional practitioners.
Khairuddin, Unit Trust & Takaful Agent

Class Schedule Nov 2009

Month Intake	Date	Exam Date
April	17th , 18th , 24th , 25th April, 8th & 9th May	20th May
July	24th, 25th, 31st July, 1st, 7th, 8th August	19th August
Oct	23rd, 24th, 30th, 31st Oct, 13th, 14th November	25th November

Fees: **RM1600 Only(Including exam and tution fees)**

Note: You are highly encouraged to register for the classes if you have completed 4 modules and above.

Venue: Suite 7.01, 7th Floor, Menara Tun Razak, Jalan Raja Laut, 50350 Kuala Lumpur.

Please contact Ms Suliana or Ms Fauziah, MFPC Secretariat, at **03-2694 5899** or **fauziah@mfpc.org.my** for further assistance.

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PENGAMBILAN DEPOSIT SECARA HARAM (SKIM CEPAT KAYA)

Bermula daripada keluaran ini, kami akan memaparkan artikel berkaitan pelbagai jenis penipuan kewangan yang perlu anda hindari. Tumpuan artikel kali ini adalah tentang pengambilan deposit secara haram. Keluaran yang akan datang pula disusuli dengan artikel berkenaan penipuan secara elektronik, skim pelaburan melalui Internet serta skim dagangan haram mata wang asing.

Pengambilan deposit secara haram atau skim cepat kaya menjanjikan faedah atau keuntungan yang tinggi ke atas deposit di bawah skim ini. Pengendali sebegini tidak mempunyai lesen yang sah untuk mengambil deposit.

Anda mungkin menerima pulangan yang dijanjikan pada permulaannya, kerana pengendali skim ini membayar wang yang dikumpul daripada pendeposit lain kepada anda. Walau bagaimanapun, tiada jaminan yang pengendali ini mampu untuk terus membayar kadar pulangan yang tinggi, menyebabkan skim ini akhirnya gagal dan pendeposit kehilangan wang mereka.

APAKAH RISIKO SEKIRANYA TERLIBAT DENGAN SKIM CEPAT KAYA?

- Anda boleh didakwa kerana menjalankan aktiviti skim cepat kaya mengikut Akta Bank dan Institusi-Institusi Kewangan 1989.
- Anda akan membebankan diri sendiri serta keluarga sekiranya anda menggunakan wang simpanan anda. Terdapat mangsa yang mengeluarkan kesemua wang simpanan atau mengambil pinjaman daripada institusi perbankan hanya untuk menyertai skim ini.

BAGAIMANA UNTUK MENGENALPASTI PENGENDALI SKIM CEPAT KAYA?

Pengendali skim cepat kaya mungkin beroperasi secara individu, perkongsian mahupun melalui syarikat dengan pendaftaran yang sah. Walau bagaimanapun, mereka masih tidak mempunyai lesen yang sah untuk mengambil sebarang jenis deposit daripada orang ramai.

Berikut adalah di antara ciri-ciri skim cepat kaya yang harus anda ketahui untuk mengelakkan diri anda daripada menjadi mangsa:

- Pengendali tidak mempunyai lesen yang sah di bawah Akta Bank dan Institusi-Institusi Kewangan 1989 untuk mengambil deposit.
- Pengendali berjanji membayar pulangan yang tinggi atau keuntungan di dalam tempoh masa yang pendek, lazimnya lebih tinggi daripada apa yang ditawarkan oleh institusi perbankan berlesen.
- Pengendali menawarkan cara bayaran selain daripada secara tunai. Contohnya, sebahagian daripada pulangan mungkin dibayar dengan kupon, barang kemas atau barangan elektrik.

BAGAIMANA ANDA BOLEH MEMBANTU MENCEGAH SKIM SEBEGINI DARIPADA TERUS BEROPERASI?

Skim sebegini akan terus beroperasi selagi masyarakat menyertai skim ini. Sebagai pengguna yang bijak, anda bertanggungjawab untuk melindungi wang anda. Jangan mudah terpedaya dengan skim-skim sebegini kerana akhirnya anda boleh kehilangan semuanya jika tidak berhati-hati.

Sekiranya anda mempunyai sebarang pertanyaan mengenai skim cepat kaya, anda boleh menghantar pertanyaan anda kepada:

BNMTELELINK
Jabatan Komunikasi Korporat
Bank Negara Malaysia
P.O. Box 10922
50929 Kuala Lumpur
Tel: 1-300-88-LINK atau 1-300-88-5465
Faks: 03 – 2174 1515
E-mel: bnmtelelink@bnm.gov.my

Is your Financial Plan GST-ready?

Dato' Chua Tia Guan
Head of Tax & Financial Consulting
Great Vision Advisory Board

After many years of consideration, the Prime Minister finally announced on 24 November 2009 that the first reading of the Goods and Services Tax (GST) Bill would be tabled in Parliament in December 2009. If everything goes smoothly, the GST is expected to be implemented in the next 18 months.

What is the impact of the GST on you and me? Do we need to re-align our financial plan, taking into account the imminent implementation of the GST?

Are we poorer with GST?

It is reported that Malaysia's working population is about 12 million but only about 10% of this group pays income taxes. The opponents of the GST argue that the GST will make the remaining 10.8 million wage earners poorer as they will now fall into the tax net. According to the Ministry of Finance (MOF), currently the group which does not pay income tax is actually paying the sales and service tax (SST) directly or indirectly. Further, the MOF explained the following:

- Under the sales and service tax system, the SST burden on the poor is 2.38% but under the GST system, it will be 2.17%.
- The tax burden of the higher income Group will be reduced from 3.13% to 2.74%.
- The overall savings for households will be between RM14.52 and 346.92 yearly.

Is our purchasing power affected?

There are concerns that the GST will bring about inflation at the initial stage of its implementation. It is reported that the Consumer Price Index (CPI) is expected to increase by 0.48% if the GST rate is 5%. In view of this, education programmes to raise the awareness of traders and consumers in relation to the mechanics of the GST are important to avoid the artificial inflation caused by ignorance of the GST system.

Towards this end, the Government has proposed the following:

- To provide complete relief from the GST to final consumers, especially those in the lower income group, in respect of the following:
  - agricultural products such as paddy and fresh vegetables
  - foodstuff such as rice, sugar, table salt, plain flour, cooking oil
  - livestock supplies such as live animals and unprocessed (fresh or frozen) meat of cattle, buffaloes, goat, sheep and swine
  - poultry such as live and unprocessed (fresh and frozen) meat of chicken and duck
  - eggs (fresh and salted) and fish
  - supply of the first 200 units of electricity per month to domestic users
  - supply of the first 35 cubic meters of water per month to domestic users.

- To exempt the following supplies from the GST in order to reduce the tax burden on final consumers:
  - domestic transportation of passengers for mass public transport by rail (KTM, LRT, ERL and Monorail), ships, boats, ferries, express buses, stage buses, workers' buses, school buses, feeder buses and taxis
  - toll highway
  - residential property
  - land for agricultural purposes and land for general use (government buildings and burial grounds)
  - private health care and education.

It appears that the spending pattern of an individual would determine the impact of the GST on the individual. The impact could be positive or negative. If one spends more on luxury goods as opposed to essential goods, the impact could be negative and vice versa. As such it is arguable that the GST is an effective tool to encourage prudent spending.

Further, the GST is commonly used by developed nations to bring about socio-economic balance

between the rich and the poor. Theoretically, the rich who can afford to consume more would be taxed as they consume luxury or non-essential goods. The Government is then able to pass the money back to the poor, either through public infrastructure, social programmes or subsidies.

Education planning

Education planning is an important pillar of financial planning. Recognizing the fact that education plays a vital role in the nation's development and is closely linked to the degree of skilled manpower in the country, it is proposed that education services provided by both the Government and private institutions be exempted from the GST. This includes related services such as the provision of food, accommodation and laundry services. As such, it appears that the implementation of the GST will not have a direct impact on education planning.

Healthcare Planning and Risk Management

The scope of healthcare services includes medical, dental, pharmacy, accommodation, food, equipment, facilities and any related services provided by healthcare institutions. It is proposed that healthcare services are exempted from GST.

In addition it is also proposed that life insurance, investment linked insurance and reinsurance be exempted from the GST. As such, the implementation of the GST should not have an impact on the healthcare planning and risk management.

Investment Planning

Investment planning involves the consumption of financial services and the deployment of investment vehicles. The following is proposed with regard to the GST in connection with financial services:

i. Exempt investment transactions such as the giving of loans, advances, currency exchange and sale of securities.
   Financial services related to investment transactions, for example underwriting and guarantee fees, standing instruction payments, cheque clearance commissions, shared ATM services and provision of ATM cards are also exempted;
ii. Exempt life insurance, investment-linked insurance and reinsurance;
iii. A standard rate of commissions, and advisory, management and financial services which attract explicit fees;
iv. Zero rate exported financial services;
v. Apply the same GST treatment to Islamic products as applied to conventional financial services; and
vi. Apply the same GST treatment to offshore financial services as applied to conventional financial services.

It is proposed that investment in property, supplies pertaining to land, property and construction be taxed at the standard rate, with the exception of the following:

i. Exempt the granting of land by State Governments;
ii. Exempt the sale, lease or rental of residential land, agricultural land and land for general use such as for government departments and burial grounds;
iii. Exempt the sale, lease or rental of residential houses, including low and medium cost houses; and
iv. Exempt the quit rent imposed by State Governments.

Personal Tax Planning

With the introduction of the GST, it is likely that the personal income tax rate is going to be reduced in stages, subject to the effectiveness of the implementation of the GST. The basis of taxation will be gradually shifted from being income-based to being consumption-based.

There may be more incentive for one to earn a higher income as the personal income tax is reduced. Conversely, the consumption or spending pattern of an individual is a key factor in determining his or her overall tax burden.

Conclusion

As the popular sayings go: "Born free, taxed to death" and "Only two matters are certain in life: death and taxes". Be it income tax or the GST, one has to take both into account in one's financial plan as each is an outflow in personal budgeting. Failing this, the achievement of one's financial goals may be affected.

Reference:
1. Discussion paper on Goods and Services Tax for Malaysia issued by Tax Review Panel of Ministry of Finance on 18 July 2005
2. Goods and Services Tax presentation made to Federation of Malaysian Manufacturers by Tax Review Panel of MOF on 1 December 2009

Islamic Financial Planner as a Career

Azman Ismail

Managing Director of IIFIN

Many students are at a loss when it comes to pursuing their career; the choices are endless. One of the new careers available is that of an Islamic Financial Planner. The term Islamic Financial Planner is new and has been around for only slightly more than ten years. An Islamic Financial Planner is a Financial Planner, albeit an Islamic one. What then is a Financial Planner? A Financial Planner is one who assists others in planning and managing their wealth and finances. Like a Financial Planner, an Islamic Financial Planner is also a comparatively new career and in Malaysia the term Financial Planner was first used about thirty years ago.

An Islamic Financial Planner usually helps his clients to analyse their income and outgo as well as their assets and liabilities and assists them in designing an Islamic financial plan. An Islamic financial plan is a plan can be defined as "an all-inclusive, continuous program to managing each and every aspect of one's finances that considers one's income, spending, assets and liabilities to ensure that these comply with the shariah". It includes short-term and long-term goals, such as paying for a child's proper education or comfortable retirement. Income that complies with shariah is income that is derived from halal activities and instruments whilst outgo or spending must also be for halal items. Consequently, assets and liabilities must also be shariah must also comply with shariah.

The financial instruments that comply with shariah are those offered by Islamic banks, Islamic financial institutions, Islamic unit trust companies, takaful companies and the like. These include wadiah

(safekeeping) and mudharabah (profit sharing) accounts, personal and asset financing instruments based on ijarah (leasing), bai' al-murabahah (with profit sale) and al-bai' bi thaman ajil (deferred payment sale). Other instruments include zakat by zakat institutions and Islamic wills and similar instruments from trust companies like Amanah Raya Berhad.

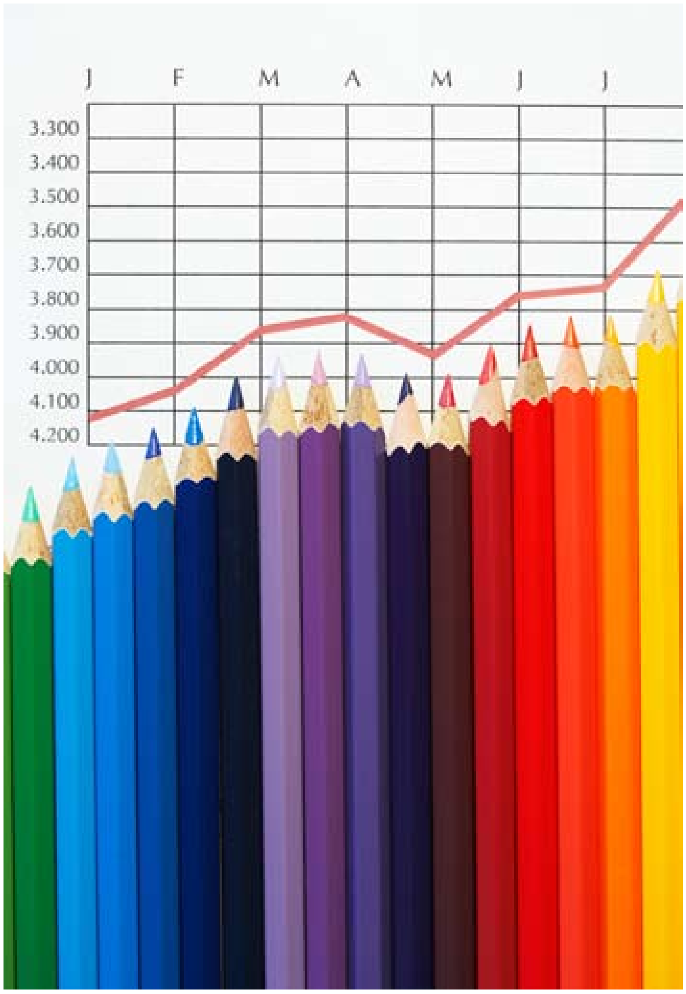
An Islamic Financial Planner gets his/her income through fees, commission or fixed salary depending on whether he or she decides to be self employed or employed by others. If he decides to be self employed and own a business, he can charge fees from his clients for assisting them. Alternatively, he can get commission from the institutions that offered these instruments and services. If he chooses not be self-employed, there are banks and other institutions that may employ them as Personal Financial Advisor, Wealth Advisor and the like. Most of these institutions provide training especially for new comers. Some prefer their Islamic financial planners or advisors to specialise in serving individual clients while other employers concentrate on business clients. You should ask your potential employer and decide which one is more suitable for you before accepting a job. Nevertheless, this does not mean that you cannot change your mind later.

Most Islamic Financial Planners have a Diploma or a Degree whilst some are Masters and even PhD holders. Although a Degree is important, it is not essential as there are successful Islamic Financial Planners who do not have any Diploma or Degree. School leavers who aspire to be Islamic Financial

Planners can go for a specialised education such as the Shariah Financial Planning program conducted by the Malaysian Financial Planning Council or the Islamic Financial Planning program by the Financial Planning Association of Malaysia.

Both the above programs are recognised by the authorities and will provide training and education to aspiring Islamic Financial Planners in the areas of risk management, takaful planning, retirement planning, estate and wakaf planning, zakat and tax planning as well as how to construct a comprehensive Islamic financial plan. Many Islamic financial planners complement their education with knowledge on mathematics, finance, economics, business as well legal and shariah aspects relating to the Islamic financial planning industry and instruments.

Why does one choose to be an Islamic financial planner? Different people have different reasons; some desire the freedom from a nine-to-five job whilst others fancy the potentially unlimited income. Indeed income is limited only by one's creativity, effort and imagination. Still there are others who like meeting people and helping others obtain financial independence. An Islamic Financial Planning career can be exciting and stimulating; the nature of the job entails one to meet people from varying backgrounds with different financial resources and needs.



The Four Types of Money: The Financial Planning Perspective

Jeffrey Chiew Kim Chwee
RFP, PhD (Honorary), ChFC, CLU, CFP, RFC, LUTCF, DBA

Are you aware that money, in the financial planning perspective, is of four different types?

The first type is serious money. Serious money is money to be used for serious needs such as education, retirement, medical expenses, long-term care and others.

The financial products typically used to meet these needs are life insurance, annuities, endowment policies, medical plans, education policies and fixed income securities.

With this type of money, we are not too concerned with a high rate of return but a fair rate of return and at the time when it is needed.

In Malaysia, most financial planners are likely to recommend insurance products because of the tax advantages and their self-completing features. The term "self-completing" simply means the fund would be there irrespective of whether the payer (the person paying the premium) meets with a life contingency such as death, disability or critical illness.

The second type of money is borrowed money. Some examples of borrowed money are credit card expenses or bank overdrafts. Most financial planners would recommend the repayment of outstanding credit card debts because of the high interest charges. For instance, it does not make sense for a person to put say, RM15, 000 in a fixed deposit earning 3% interest a year while paying interest of about 15% a year for credit card debt.

If you have to borrow money, then the total return from that investment must be sufficiently high to cover the cost of funds. Since most overdrafts are given at a free floating rate, a margin must be provided in the event the interest rate rises.

Next, we have leverage money. This is typically found in investments such as property. For example, when a purchaser buys a house, he usually pays a down payment of 20% of the purchase price and borrows 80% from a financial institution.

In such a situation, the purchaser is said to be using leverage money. In other words, he is using a small amount of money to acquire a large asset. As such, the total return must be sufficiently attractive before an intelligent purchaser uses leverage money. When I say "total return", I am not just referring to rental income but also to capital appreciation and tax savings, if applicable.

The fourth type of money is idle money, for example money deposited into bank accounts.

Most Malaysians put too much money into their bank accounts. Unfortunately for many depositors, safe investments do not mean profitable investments. With the prevailing low interest rates, most bank deposits earn about 4% interest a year. This would certainly not be a good hedge against inflation, more so if your personal lifestyle is in the medium to high spectrum. Usually, financial planners add a premium on personal inflation rate.

CPI Inflation Rate + Lifestyle Inflation Rate = Personal Inflation Rate.

CPI stands for Consumer Price Index. The reality in an affluent society is that we use more than the basic "basket of goods". Thus, if one uses imported luxury items, or is funding a child's education overseas, then one should cost in a lifestyle inflation rate.

So, if it is not that profitable to put money in bank deposits, what would be an appropriate amount for this purpose? Financial Planners agree that 6

months of annual income would be sufficient for an emergency fund and the rest should be invested. The investment classes you would invest in would depend on your risk profile.

Generally, the risk profiles of investors are categorised as risk conservative, risk moderate and risk aggressive.

Those who are risk conservative typically do not like to take risks and invest in very sound instruments such as fixed deposits and similar types of investments.

Risk moderate investors, on the other hand, are willing to take some risks for higher returns. They may invest in some equities such as through unit trusts or investment-linked products. If they purchase stocks, they are likely to go for blue chip stocks.

The third group, risk aggressive investors, are adventurous and usually willing to take risks by investing in speculative stocks and businesses.

The general rule of investment is the higher the risk, the higher the return while the lower the risk, the lower the return.

If you do not have money to invest, you are probably a poor saver. To be a good saver, you need to have the proper mindset towards money management.

Most people believe that

INCOME – EXPENSES = SAVING

If you have this type of mindset, you will probably be not saving very much or even none at all. After receiving their income, most people proceed to use it to pay for their expenses and thus end up having very little to save.

A powerful concept of saving is

INCOME – SAVING = EXPENSES

Let's say you want to save 15% of your income. The first thing you need to do is to put the 15% into a saving vehicle (preferably compulsion or semi-compulsion saving) before you pay for your expenses. This way, you would be able to accumulate a nest egg for meeting certain life events that you have planned for. One very good example of income minus saving equals expenses is the Employees Provident Fund. It is so powerful that one's saving in this fund usually accumulates to quite a significant amount. Try it, it works like magic.

Launching Ceremony of Shar

21 August 2009

Securities Commission, Bukit Kiara, Ku

MFPC is proud to announce the successful launch of the Shariah Financial Planning Awareness Programme on 21 August 2009 at the Securities Commission, Bukit Kiara. The launch was officiated by Y. Bhg. Tuan Haji Omar bin Abdul Rahman, Deputy Secretary General of Ministry of Higher Education, who represented our Guest of Honour, Y.B.Dato' Seri Mohamed Khaled Nordin, Minister of Higher Education.

The welcoming remarks were made by Mr Kee Wah Soong, President of MFPC followed by a speech from Y. Bhg. Prof. Datuk. Dr. Syed Othman Al Habshi, Chairman of MFPC Shariah Advisory Committee.

During the Launching Ceremony, the MFPC presented tokens of appreciation to the regulators and sponsors, speakers, best essay winners and the Guest of Honour. We sincerely thank all the parties who helped to make our launching ceremony a great event of the year for the MFPC.

The MFPC also awarded Certificates of Completion to 28 participants of the Shariah RFP Pilot Class 1 , 30 participants of the Shariah RFP Pilot Class 2, and 55 Deans and Lecturers from universities all over Malaysia who attended the 1-day Affiliate RFP Certification Programme in 21 August 2008.

During the second half of the launching ceremony, the audience listened to our 2 honoured speakers, Y. Bhg. Prof. Datuk. Dr. Syed Othman Alhabshi, Chief Academic Officer / Dean of INCEIF and En. Mohamed Akwal b. Sultan Mohamad, Chief Executive Officer of Agensi Kaunseling Dan Pegurusan Kredit (AKPK) talk on two interesting topics related to Islamic Finance and personal skills to face the economic downturn respectively.

iah Financial Planning Awareness Programme

ala Lumpur

"I trust that the MFPC will be able to provide our young undergraduates and practitioners with the necessary tool in ensuring the continued expansion of the Islamic finance industry in Malaysia. It is in developing our talent pool that we will ensure Malaysia's competitiveness as a hub in the Islamic financing industry."

"The MFPC has taken a bold initiative in organising the Shariah Financial Planning Awareness Programme. This Programme will highlight the opportunities and advantages offered by Islamic finance in greater detail, whilst offering tips and advice on managing portfolios in these uncertain times. On behalf of the MFPC, I would like to take this opportunity to welcome the participation of the audience and of our distinguished speakers to share knowledge and experiences with our young talents, our successors." -- **Y. Bhg. Tuan Haji Omar bin Abdul Rahman, Deputy Secretary General of Ministry of Higher Education**

"We would like to record our deepest appreciation to Tuan Haji Omar bin Abd. Rahman, Deputy Secretary General, Ministry of Higher Education; all our sponsors; AKPK, our Platinum Sponsor; Bursa Malaysia, Bank Islam, and PIDM our Gold Sponsors; and INCEIF and MII ,our Strategic Education Partners. Without your generous support and guidance, we would not have been able to launch this meaningful programme to our young undergraduates." – **Mr Kee Wah Soong, President of MFPC**

2ND ADVISORY BOARD MEETING

Date: 19 November 2009

Time: 11.00am

Venue: Dialogue Room, Securities Commission Bukit Kiara, Kuala Lumpur

The second MFPC Advisory Board Meeting was convened on 19 November 2009 at the Securities Commission. The Chairman, Y.B. Dato' Mustapa Bin Mohamed, was unable to chair the meeting, having had to attend an urgent meeting in Parliament. Y.Bhg Tan Sri Dato' Hamad Kama Piah bin Che Othman chaired the meeting on his behalf.

The Board endorsed the MFPC Islamic Finance Education Fund amounting to RM3 million for scholarships, with a focus on Shariah RFP. The objectives of this move are to build the Shariah RFP brand regionally and internationally and to encourage undergraduates and practitioners to venture into the Shariah Financial Planning profession. This is also in line with the creation of employment opportunities for young graduates.

The Members of the MFPC Advisory Board congratulated MFPC for its achievements during 2009 and expressed their hope that MFPC will continue its efforts in promoting professional financial planning education to the nation.

2nd Advisory Board Meeting attended by:

Y.Bhg. Tan Sri Dato' Hamad Kama Piah Bin Che Othman
President and Group Chief Executive Officer,
Permodalan Nasional Berhad (Meeting Chairman)

Dr Heazar Bin Ismail
Pegawai Khas Dato' Seri, represented
Y.B. Dato' Seri Mohamed Khaled Bin Nordin,
Minister of Higher Education

En Musa Mahmood
General Manager & Head of Market Strategy & Development,
represented Y.Bhg. Dato' Dr. Nik Ramlah Binti Nik Mahmood,
Managing Director and Executive Director,
Enforcement Division, Securities Commission

Ms Yong Ee Chin
Senior Secretary, represented
Y.B. Dato' Dr. Ng Yen Yen
Minister of Women, Family and Community Development
Mr Kee Wah SoongPresident, MFPC

Mr Alex Foong Soo Hah
Deputy President, MFPC

Mr Michael Kok
Vice President for Membership, MFPC

En Md Adnan Md Zain
President of Life Insurance Association of
Malaysia (LIAM)

Pn Khadijah Abdullah
Chief Executive Officer, The Malaysian Insurance Institute
Dr. Achene Lahsasna Member,
MFPC Shariah Advisory Committee, Lecturer, Shariah and
Legal Studies Department, INCEIF

Embracing the Changes of

8 Oct 2009, Securities Commi

Speaker: Mr. Mark Toh Chin Hian, Deputy President,
Federation of Investment Managers Malaysia

Speaker: Mr.David Goh, Director,
Gifts of Hope Sdn Bhd

Welcoming Address by Organising Chairman
Alfred Sek Hai Choon, Chairman,
MFPC FA-FP Development Committee

Speaker: Ms.Norlin Fatima Albakri, Senior Manager,
Market Development Department, Securities Commission

Speaker: Mr.Teh Loo Hai, Technical Adviser,
Life Insurance Association of Malaysia

Emcee, Ms. Phoebe

Token of appreciation was presented to honourable speakers.

Financial Industry in Malaysia
ission, Bukit Kiara, Kuala Lumpur






MFPC strongly believes that as a financial practitioner, it is our responsibility to be continuously updated with current developments and the latest changes in the industry to help us in minimizing problems and managing our financial resources effectively to overcome any financial difficulty. In view of this, the FA-FP Development Committee of MFPC organized a half day seminar, 'Embracing the Changes of Financial Industry in Malaysia' on 8 October 2009 at the Securities Commission, Bukit Kiara, to urge our members and practitioners to be kept informed of the trend of emerging demands on financial planning services from our clients.

We were indeed honoured to have Pn. Norlin Albakri, Senior Associate, Market Development Department of the SC, representing Mr. Goh Ching Yin, Executive Director of SC; Mr. Tey Loo Hai, Technical Adviser of the Life Insurance Association of Malaysia (LIAM); Mr. Mark Toh, Deputy President of the Federation of Investment Managers Malaysia (FIMM); and Mr. David Goh, a motivational speaker from Gifts of Hope with us on that day.

MFPC received very positive feedback from the audience regarding this seminar. This provides us with stronger motivation to continuously play our role to organise more events and seminars for the benefit of the public and our members.



Special Executive Accelerated RFP (SEAR) Programme

2&3, 9&10 October 2009

MFPC successfully organised another session of the Special Executive Accelerated RFP (SEAR) programme on 2, 3, 9 and 10 October 2009 at Shangri-La Hotel, Kuala Lumpur. This programme was attended by 20 participants from targeted groups of CEOs, and top executives from major organisations in the financial services industry.

The SEAR programme is a professional accelerated programme endorsed by Bank Negara Malaysia and the Securities Commission Malaysia. The programme is specially designed to provide selected top executives of financial services organisations and regulators of the financial industry with at least 10 years' relevant experience an alternate route to earn the prestigious RFP designation. This self-study programme with 4 days of intensive tutorials requires participants to attend all tutorial sessions and to complete all programme assessments.

MFPC Activities

SFPAP Workshop Politeknik Ungku Omar (PUO) – 8 & 9 August 2009, Ipoh Perak

5th PBF Expo 2009 Kuala Lumpur Convention Centre (KLCC), 30 & 31 May 2009

LIMRA & LOMA 17th Annual Strategic Issues Conference, 21-24 June 2009 Shangri-La Hotel, Kuala Lumpur

MFPC Activities

NAMLIFA 31st Mega Convention & Akard Award
Genting International Convention Centre (GICC), 11-13 August 2009




SFPAP Workshop
Politeknik Ungku Omar (PUO) – 8 & 9 August 2009, Ipoh Perak



National Entrepreneurs Convention
12 & 13 Sept 09, Subang Sheraton Hotel




Financial Planning Workshop for Public & Practitioners
INTAN, 13-15 July 2009




Financial Planning Workshop for Undergraduates UMP, USM

Universiti Malaysia Pahang – 18 & 19 July 2009

Universiti Sains Malaysia – 10 & 11 Oct 2009

MFPC Deeparaya Luncheon 15 October 2009, MFPC Secretariat Office

Minggu Kesedaran Kewangan Terengganu Trade Centre, 22-24 October 2009

Shariah RFP Programme Syllabuses Review Session Awana Genting Hotel & Resort, 24 & 25 October 2009

MFPC Activities

Shariah RFP Programme Syllabuses Review Session
Awana Genting Hotel & Resort,
24 & 25 October 2009



Malaysian Association Takaful Awards and Dinner Night 2009
5 November 2009, PWTC



KTAR Career Fair
11 & 12 November 2009, Setapak








National Sales & Money Convention Malaysia 2009
21 & 22 November 09, Wisma MCA




Dr Achene Lahsasna

Lecturer, Shariah and Legal Studies Department, Graduate Studies Advisor, International Centre for Education in Islamic Finance (INCEIF)

Understanding Shariah Financial Planning

The Concept

The concept of Islamic or Shariah financial planning is based on the incorporation of Shariah (Islamic law) rules and elements into the process of financial planning. Shariah rules and principles are positioned as the core of the application of financial planning, with Shariah rules and principles being observed and enforced throughout the process.

Shariah financial planning may be defined as *"a process of assisting clients in determining their financial goals and priorities and the resources to meet them optimally within the parameters of the Shariah."* Another definition is "the process of meeting life goals through the management of finances in accordance with the Shariah."

According to the concept of Islamic financial planning, the services provided to the customer must be Shariah compliant in their concept, criteria and structure, satisfy client needs and meet Shariah rules and requirements. *Shariah* should be appreciated in the financial planning due to its financial implication on the individual, family and society at large. Therefore Muslims are encouraged and urged to plan their life economically and financially in order to achieve the objectives of the Shariah in business and finance, bringing prosperity and happiness to every individual in the *ummah*. It should be understood that financial planning never been against the concept of *tawakul* and destiny; there is no contradiction or conflict between them. Islamic teachings always urge Muslims to plan and take the necessary actions to ensure success in life.

As wealth preservation is one very essential universal fundamental objective of the Shariah, financial planning plays great role to materialise this objective. The prophet Muhammad (s.a.w) said: *"My Lord, help me and do not give help against me, grant me a victory, and do not grant victory over me, plan on my behalf and do not plan against me, guide me and make right guidance easy for me, grant me victory over those who act wrongfully towards me." (Narrated by Abu Daud)*

In the Shariah perspective, financial planning comes first and takes place to fulfil the fundamental principles of al *Akdu bil asbab*, taking the necessary steps needed, followed by *tawaful*, whereby the person submits himself to Allah and seeks success by making *dua* or supplication. This is a very important sequence, whereby a human being's effort takes place first within his or her existing capacity and effort, after that the person submits to Allah, followed by *tawakul* and seeking success and achievement, and not vice versa.

Shariah financial planning takes into account the principle that Allah is the sole provider of bounty to all His creation on this planet: humans (Muslims and non Muslims alike), animals, plants and all other creations of which only Allah knows. Regarding this aspect of His mercy, Allah says: *"For Allah is He Who Gives (all) sustenance…" (Al-Dhariyat 51:58)*

The Prophet said: *"A Muslim should prepare himself for the next world as if he is going to die tomorrow, but at the same time work hard to improve all his worldly comforts as if he is going to live forever." (Narrated by Al-Dailami)*

It is important to note that one of the objectives of Islamic financial planning is to realize the balance between the material and the soul, in order to be a person who lives to fulfil the needs of both of equally. This established concept is not against wealth creation, but to monitor and regulate the acquiring of the wealth and the spending (the flow of the fund) according to Shariah principles. This fundamental principle should be understood by the financial planner and the client.

The Shariah framework of the financial planning

The underlying Shariah contract of the financial planning is *ijarah* (leasing). As such, the rules and parameters of *ijarah* contract should be observed, honoured, and implemented in the financial planning process in order to ensure the services provided by the financial planning practitioner complies with the Shariah. In addition to ijarah, there are other two relevant contracts associated with the function of the financial planner, namely *wakalah* and *jualah*.

Ijarah

Ijarah or leasing is a form of contract allowed by Islam based on textual evidences in the *al-Qur'an* and the *Sunnah. Ijarah* means 'to give something on rent'. *Ijarah* in financial planning means "to employ the services of a person on wages given to him as a consideration for his hired services", whereby the financial planner renders valuable services to the client. The employer in this case is called *'musta'jir'* who is the client, while the employee who is the financial planner is called *'ajir'*.

Wakalah and *Jualah*

In addition to *ijarah* which represents the core contract in the business of the financial planning, *wakalah* and *jualah* can also be part of the contracts governing the business of the financial planner, whereby some income generated by the financial planner is derived from *wakalah* or *jualah*. In the case that the financial planner carries out some business arrangement for the client related to investment or *Takaful* coverage, the financial planner will act as *wakil* or broker.

Wakalah

It is the delegation of one party (the principal) for another (the agent) to be the representative in a known and permissible dealing. The financial planner can act as agent for his client in some business arrangement.

Jualah

It is an open promise by one party to pay whoever performs a particular task. It is a unilateral contract binding on the initiator. The financial planner may earn commission from certain tasks accomplished.

The relationship between financial planning and *Maqasid al Shariah*

It is a fundamental principle that the financial planning business should be in line with the five objectives of Shariah. The financial planning should be one of the means to protect and preserve the wealth. The conventional financial system focuses primarily on the economic and financial aspects of transactions. It is driven by profit maximization, whereas the foundation of an Islamic financial system goes beyond that as it takes into account some special features and factors which improve and enhance society as whole. According to the principles of *Maqasid al Shariah*, the Islamic financial system places equal emphasis on the ethical, moral, social and religious dimensions in order to enhance equality and fairness for the good of society as a whole.

Accordingly, *Maqasid al-Shariah* aims to achieve various objectives in business transactions which are:

- The circulation of the wealth in business transaction
- Preservation and protection of the wealth
- Transparency in wealth and finance
- Development and investment of the wealth
- Prevention of harm and hardship in wealth and finance
- Ensuring of justice in circulation of the wealth
- Prohibition of elements of injustice, such as *riba* and *gharar.*

The above *Maqasid al Shariah* are considered in the financial planning process. The financial planner takes into account these factors in his financial planning provided to his client. In addition to that the above-mentioned *Maqsid al Shariah* which represent the major aspects in the financial planning structure, the other major aspects in financial planning are:

- Risk and *Takaful* planning
- Investment planning
- *Zakat* planning
- Estate planning
- Retirement planning

All the above are embedded in *Maqasid al Shariah*, In addition to that, the concept of *Maqasid al Shariah* is incorporated in the definition of the financial planning which is, *it is 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.*

The word "priorities" brings into consideration the category of *Maqasid al Shariah* which are the essentials, the needs and the complementary, whereby the financial planner should take into account the said categories in his financial planning to set the priorities of his client. It should be noted that *Maqasid al Shariah* is divided into three major categories according to its inner strength, namely:

- The necessities or essentials *(daruriyyat).*
- The needs *(hajiyyat).*
- The complementary *(tahsiniyyat).*

Importance of the Spiritual Aspect and the Dimension of the Hereafter in Shariah Financial Planning

The hereafter is a very important aspect in the design of the financial planning. The incorporation of the dimension of the hereafter will widen the scope of the financial planning. Accordingly, the financial planning will be based on the two different words, this word and its needs and the hereafter and its needs. Both words require financial planning and proper investment. While the profit generated in this word will be in the form of material benefits, cash, assets, etc, the profit generated in the hereafter will be in the form of reward and blessing from Allah, resulting in the success which is the ultimate objective and goal for a Muslim.

Therefore the scope of the financial planning should not be confined to the materials aspects and its framework restricted within this word. It should go beyond that to cover the aspects of the hereafter as well. The words *"financial goals"," objectives"* and *priorities"* should incorporate both worlds. In addition, the financial planner should always remind the client of this dimension, and create a space for its investment in the financial planning. The financial planner should explain to his client the type of profit he may generate in order to secure him- self in this word and in the hereafter. The dimension of the hereafter creates a great platform to promote the voluntary and social responsibility aspect and improve it in society through *qard hassan, hibah*, donation, *waqf*, financial assistance, etc. These can be part of the financial planning proposal depending on the financial status of the client.

Allah says, *"To Him belongs all that is in the heavens and on the heart: for verily God - He is free of all wants, worthy of all praise"* (Qur'an, 22:64). In another verse, Allah says, *"Thy Lord is self sufficient, full of mercy…"* (Qur'an, 6:133,).

Wealth in the Islamic perspective comprises two elements; the physical and the spiritual. The first one is in the form of property and assets, whereas the latter indicates the spiritual dimension of mankind such as knowledge or virtue that is embedded in their souls. The first dimension of wealth may be used as a means to reach the second dimension of wealth that is, knowledge and virtue through education and training. Knowledge provides man with guidance in utilizing and exploring available resources.

A saying of Prophet Muhammad (s.a.w) is that: "*Any one who wants this worldly life, he should have knowledge, and any one who wants the life of the hereafter, he should have knowledge, and who wants both this life and the hereafter, he should also have knowledge".* Furthermore, when the Prophet's son in law, Ali bin Abi Thalib, compared the two dimensions of wealth, he once said, *"Knowledge will take care of you while you will protect your property".*

Criteria of Islamic Financial Planning

There are some important criteria in Islamic financial planning that should be appreciated during the process:

- The financial planning is financial assistance to people in order to manage their finance in the proper manner. It has the feature of mutual help and assistance. Allah says: *"Help ye one another in righteousness and piety".*
- The financial planning is needed not only because of the financial distress of the client, it is also needed in all circumstances as it is part of the wealth management needed by every individual.
- The financial planning should be in line with the objectives of Shariah in wealth, business and finance.
- *Maqasid al Shariah* is an important component in driving the financial planning to the best achievement.
- Balancing between the existing assets and liabilities and future financial goals is an important aspect in designing the financial planning.
- The concept of the Islamic world view is the dominant factor in the financial planning.
- The objective of the financial planning is to determine the financial goals of the client.
- The financial planning is a process and methodology to design the financial achievement based on the available wealth and resources of the client.
- The financial planning in needed for both fortunate people and unfortunate people.
- The success of the financial planning depends on the information disclosed by the client.
- The incorporation of the religion dimension into the financial planning is a very important aspect which improves the voluntary aspect.
- Identification and understanding of the financial problem of the client is key to the success of the financial planning.
- Identification of the sources of fund is the platform for designing sound and proper financial planning.

Moral Values Governing the Shariah Financial Planning Business

The moral values which govern financial planning practices standards according to the Shariah perspective are the following:

- *Amanah* and trust
- Mutual help and assistance
- Honesty and integrity
- Sincerity
- Transparency

These moral values play a great role in creating confidence in the client and strengthening the relationship between the parties involved in the financial planning. In addition, these moral values have a great impact on the tasks and duties of all concerned.

Edison Pang
B.Sc. (Hons) (UPM)

Mahes
RFP, BBA in Finance and Insurance

Personal Development for a Financial Planner

Sure-fire Tips to Meet Your Prospects Successfully

Financial planners new to the business are often very excited to implement financial planning practices and process with their prospects. But when it comes to the actual situation, they generally find it difficult to get the prospect's agreement to complete the fact finding form or get the relevant confidential information. When this happens, they get frustrated and resort to the traditional method (Product Push) of doing business, which may work against them.

So, what can we do to ensure successful meetings with our prospects? Planning is essential. Here are some sure-fire tips.

APPROACH

There are various approaches that an advisor can use when requesting an appointment with a prospect.

One method is sending letters or leaflets with pictures / cartoons / graphics. Fewer words and more colour graphics are among the best ways to attract attention; however, too many pictures / graphics might cloud the message in the letter or leaflet. Be mindful that people do not like to read long narratives. They prefer visuals with catchy words and phrases. So use these to attract your prospects' attention. Do not use photocopied leaflets in black and white. They almost always end up in the waste basket.

In Malaysia, one of the preferred approaches to secure an appointment is through a phone call. This is more convenient for the prospect and the financial planner. Importantly, telephone approach will allow the financial planner to know the appointment result immediately.

Things that your prospects want to know when they receive a call from a stranger. These questions may or may not be asked.	Your script should have all the details
Who are you?	Give your name and qualification(s)
Whom you are representing?	Your Company 1. Create awareness of financial planning and how it works for us. Since I'm representing a financial company, I am qualified to do this. 2. How much you save is important but where you save and how much you save are more important. 3. Many of us have taken a lot of loans and also have savings and /or investments. Which should be maintained and which should be disposed is my presentation topic for this awareness campaign.
What you want / what is your intention?	Mr. Prospect, my role in our meeting is just to assist you to determine your financial goals. I give you my word that I'm not selling anything.
Are you selling something?	However, at the end of discussion if you require my recommendation, I will gladly provide my proposal. I promise you that you are free to make your decision.
How long will it take?	Approximately 45 minutes
When you want to meet?	Can we meet on Tuesday or Wednesday evening? If not, it can be any time convenient to you

However, the most difficult part of the telephone approach is to prepare a script and make the call. Thus, a telephone script should contain certain information. The script is nothing more than the answers for questions that might be in our prospect's mind when he or she receives a phone call from a sales person. The following are some of questions that might the prospect might want answered and the answers to those questions:

GROOMING AND NON VERBAL COMMUNICATION

Dressing

According to some psychologists, a person's dressing creates a strong impression about that person. A well dressed person is perceived to be good in managing his life, financially well to do, and educated. A pleasant appearance will create a willingness to conduct a transaction. Thus this is a very important criterion in the personal development of a financial planner, increasing the opportunities for career advancement as good grooming and a pleasant appearance creates greater confidence in you.

How do know if have good grooming? The most important thing is the impression that we create in others. One suggestion is to ask the opinion of your partner or colleague or superior. Alternatively, you may also seek the advice of a grooming consultant who can advise you about the right type of clothes for your body structure, skin complexion and as to the latest styles. You can even learn from observations of how successful people dress and their grooming sense. All this will certainly help you to improve the way you dress and create a good and strong impression.

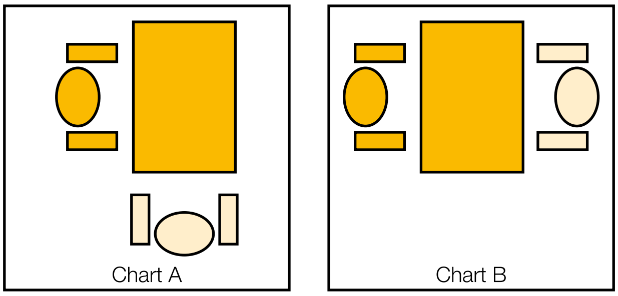
Meeting with your prospect.

A firm handshake is very important to create a positive impression. A limp handshake will make the other party feel less confidence about you. Those with limp handshakes are perceived as having a weak character and as not being sincere. Give a firm handshake but be gentle.

Look into the eyes of your prospect when you shake hands. In some cultures, it considered to improper and even rude to look elsewhere while shaking hands with a person. Make sure you greet your prospect and thank your prospect for the opportunity to meet. *"Hello Mr. Prospect, Thank you for your willingness to meet me to allow me to talk to you about financial planning." or "Good morning Mr. Prospect, I'm really happy to see you in person"*. Make sure those words are said in sincerity because they can see it in your eyes.

Seating position

When talking with prospects, the seating position plays a big role in making you and your prospect comfortable. It is advisable to sit by side (Chart A) because this position will help to create more friendly conversation open to negotiation. There is also less tension and it is seen as less hostile compared to sitting on opposite sides (Chart B). The seating position shown in Chart B is always used by employers or superiors when dealing with their subordinates and by interviewers conducting interviews. This arrangement (Chart B) is more formal while the seating position shown in Chart A is often used for casual conversations or meetings between friends. Thus try as far as to sit as in Chart A and you will able to maintain good relationship, create less tension and a willingness to share ideas and information, and, most importantly, to build trust with your client.



Our dressing, appearance, the way we greet, shake hands are also important considerations for a financial planner when meeting prospects.

Presentation

When you meet your prospect, thank him or her for giving you the opportunity for the meeting.

Even though you may have introduced yourself and stated the company you work for, do it again when you meet the prospect in person.

Share information concerning your capabilities, experience and education qualifications with the prospect. Remember, your intention is to build the trust and confidence of the prospect.

Assure your prospect that you will keep to the promise you made when you made the appointment. This will further increase your prospect's willingness to share information and increase his or her confidence and create a favourable impression of you.

Explain the importance of fact finding to you as well as to your prospect. Some examples of what you can say when talking of the importance of fact finding are: "A doctor cannot treat a patient well without a proper diagnosis." "A lawyer will not able to represent a client to his best if complete information is not disclosed." "Similarly, a financial planner cannot draw up a complete a financial plan to meet a client's needs without detailed information."

Give assurance to your client by showing your authority card or any other document (certificates) to prove you are a qualified person.

Also assure the client that the information shared will be treated as private and confidential. Explain that it is wrong and is an offence for you to share the information with others.

CLOSING

The client might not say *"OK! I'm ready to buy".* It is you who makes the move to close the case. Be observant for the following verbal and non verbal signals:

Non Verbal Signals

- Nodding of head – *This indicates the prospect agrees with the information that you are sharing.*
- Looking clam and relaxed – *This indicates he is listening, finds what you say interesting and it shows agreement.*
- Leaning the body forward / towards to the presentation chart / your laptop – *This indicates strong interest.*
- Smiling – *This shows agreement.*

Verbal Signals

- Answers your questions – *People tend to answer our question if they agree or like the conversation. Otherwise they remain silent or look puzzled.*
- Asks more questions about your product and services
- Shares / tell you their wants, needs and expectations – *"Do you have any secure return investment plan?", "Can you work out medical card plan and life coverage within RM250 per month?"*
- Using words that indicate agreement – *"I truly agree with what you have just said mention.", "Now I have a clear picture of the plan", "I think it's quite important at this point in time."*

If you observe two or more signals, it means that your prospect is ready to buy. Do not delay once you have got those signals. If you delay you might bore your prospect. You may also take out your fact finding form, proposal form or any other related forms.

Remember, planning, persistence and determination are the keys to growth and the realisation of our dreams. Here's an amazing true life story to inspire you.

DETERMINATON

In 1883, a creative engineer named John Roebling was inspired by an idea to build a spectacular bridge connecting New York with Long Island. However, bridge building experts throughout the world thought that this was an impossible feat and told Roebling to forget the idea. It just could not be done. It was not practical. It had never been done before.

Roebling could not ignore the vision he had in his mind of this bridge. He thought about it all the time and he knew deep in his heart that it could be done. He just had to share the dream with someone else. After much discussion and persuasion he managed to convince his son Washington, an up and coming engineer, that the bridge in fact could be built.

Working together for the first time, the father and son developed concepts of how it could be accomplished and how the obstacles could be overcome. With great excitement and inspiration, and the headiness of a wild challenge before them, they hired their crew and began to build their dream bridge.

The project started well, but when it was only a few months underway, a tragic accident on the site took the life of John Roebling. Washington was injured and left with a certain amount of brain damage, which resulted in him not being able to walk or talk or even move.

"We told them so."
"Crazy men and their crazy dreams."
"It's foolish to chase wild visions."

Everyone had a negative comment to make and felt that the project should be scrapped since the Roeblings were the only ones who knew how the bridge could be built. In spite of his handicap, Washington was never discouraged and still had a burning desire to complete the bridge and his mind was still as sharp as ever.

He tried to inspire and pass on his enthusiasm to some of his friends, but they were too daunted by the task. As he lay on his bed in his hospital room, with the sunlight streaming through the windows, a gentle breeze blew the flimsy white curtains apart and he was able to see the sky and the tops of the trees outside for just a moment.

It seemed that there was a message for him not to give up. Suddenly an idea hit him. All he could do was move one finger and he decided to make the best use of it. By moving this, he slowly developed a code of communication with his wife.

He touched his wife's arm with that finger, indicating to her that he wanted her to call the engineers again. Then he used the same method of tapping her arm to tell the engineers what to do. It seemed foolish but the project was under way again.

For 13 years Washington tapped out his instructions with his finger on his wife's arm, until the bridge was finally completed. Today the spectacular Brooklyn Bridge stands in all its glory as a tribute to the triumph of one man's indomitable spirit and his determination not to be defeated by circumstances. It is also a tribute to the engineers and their team work, and to their faith in a man who was considered mad by half the world. It stands too as a tangible monument to the love and devotion of his wife who for 13 long years patiently decoded the messages of her husband and told the engineers what to do.

Perhaps this is one of the best examples of a never-say-die attitude that overcomes a terrible physical handicap and achieves an impossible goal.

Often when we face obstacles in our day-to-day life, our hurdles seem very small in comparison to what many others have to face. The Brooklyn Bridge shows us that dreams that seem impossible can be realised with determination and persistence, no matter what the odds are.

Even the most distant dream can be realized with determination and persistence.

Source: http://bethei.blogspot.com/2007/07/determination.html

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Tel: 03-2694 5899 Fax: 03-2694 6899

Financial Quotes

Academic qualifications are important and so is financial education. They're both important and schools are forgetting one of them.

Robert Kiyosaki

As a novelist, I tell stories and people give me money. Then financial planners tell me stories and I give them money.

Martin Cruz Smith

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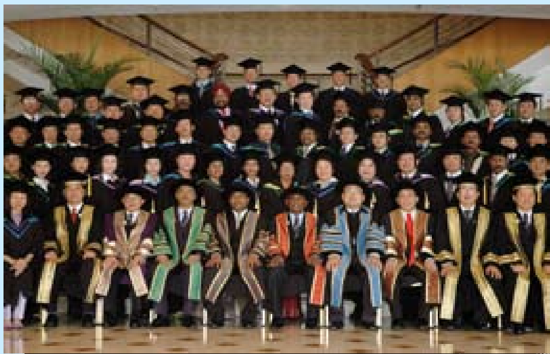

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National Association of Malaysian Life Insurance Advisors Training & Education Department
Wisma NAMLIFA, No. 55, Jalan 3/93,Taman Miharja,
Jalan Cheras, 55200 Kuala Lumpur
Contact: Puan Nor Hayati/Ms Yen/En.Nizam
Tel: 03-9281 3167 Fax: 03-9287 1386
Email: yati.flpc@namlifa.org.my

FINANCIAL PLANNING AND YOU - PART II

Chapter 7 : Planning for a Worry-Free Retirement

The 3 friends were chatting at their usual teh-tarik stall…

Karim
I met up with a financial planner last week and we had an interesting chat about retirement planning.

Keong
So what did you guys talk about?

Karim
Well, one thing did appeal to me during the chat. I don't have to retire at the official retirement age. I could retire earlier, like say 45, if I want to.

Krishnan
45 years old? What are you going to do with all that time, man? You'll go crazy just sitting at home everyday till you kick the bucket.

Karim
Ahh…that's what I used to think, too. You see, retirement planning is more than that. You guys got to find out how I'm going to retire at the age of 45 and what I'm going to do after that. And by the way, I've got a good news and a bad news for you guys.

Keong
Yeah, what is that?

Karim
The good news is you guys can also retire early like me. The bad news is you guys have got to rearrange your finances from now. I've set up a meeting between both of you and my financial planner right now. He's just arrived…here he comes…

The Retirement Scene

When a person retires, his/her active income (i.e. income derived from employment or from running a business) will cease. At that time, he/she would rely on passive sources of income. This is where a person would have hopefully built up a sizeable retirement nest egg so that the returns therefrom are sufficient to cover daily or monthly living expenses.

The common belief among many people today is that their Employee Provident Fund (EPF) savings is sufficient for their retirement when they turn 56, which is the official retirement age. The fact is, in a recent report by the EPF, approximately two-thirds of the contributors deplete their EPF savings just after 3 years of retirement.

Retirement should be looked upon as having achieved financial independence. We think of retirement as not having to work anymore because we can now feed on the nest egg that we accumulated during our working like. But the big question is:

Can the nest egg feed us for the rest of our lives?
This is where retirement planning comes in. It helps us to ensure that when we retire at our chosen retirement age, we have sufficient resources to meet our retirement needs. For that matter, we need not even look at retirement age as being 56. If we plan early enough, we can achieve financial independence even way before age 56!

This begs the next question: What are we going to do after we retire at age, say 45?

This should roughly be the same answer as what we are planning to do if we retire at age 56. It would be pretty safe to assume that every one of us has something that we desire to do but don't havethe time, money and freedom to do it now, like starting a business, creating an invention, social/ charitable and religious activities, traveling the world, and so on.

Q: What do you dream of doing if you have the time, money and freedom to do it now?

Let's now think about the realities of our dreams. We may be too old to do many of the things that we think of doing if we achieve financial independence only at age 56. For example, if we dream of going on a 3-month long backpacking in Europe, would we have the strength and energy to do that when we are 56? It might still be a challenge for us even if we do it at age 45, so what more at age 56.

Or you may dream of starting a restaurant business when you achieve your financial independence. Which age would you want to realize your dreams?

What age do you prefer to retire at?

Age 40 or **Age 60**

If you have these dreams (and its realities) in mind, then you might like to think about the appro-priate age to fulfill it. This should give you the drive to start planning for your financial independence soon enough. Detailed below are the steps that can help you calculate and plan for your retirement needs.

1. Determine your retirement income needs
2. Determine your desired retirement age
3. Derive the inflation adjusted retirement income
4. Calculate the funds required at retirement
5. Project the current resources available
6. Derive the surplus / (deficit) of fund at retirement
7. Calculate savings required to cover shortfall

Smart Tool: The Retirement Planning Calculator

		Formula	Your Data
	Step 1: Determine your Retirement Income Needs		
A	Current annual income (RM)		
B	Replacement ratio (%)		
C	Income needed at retirement (RM)	C = A x B	
	Step 2: Decide on your retirement age		
D	Planned retirement age (years)		
E	Number of retirement years (years)	Projected mortality age – Current Age	
	Step 3: Derive the inflation adjusted retirement income		
F	Average inflation rate (%)		
G	Number of years before retirement		
H	Inflation adjusted income (RM)	FV = C x FVIF (G years; F %)	
	Step 4: Calculate the funds needed at retirement		
I	Rate of return (%)		
J	Inflation-adjusted returns	J = (I – F)/(I + F)	
K	Retirement nest-egg required	PV = H x PVIFA (E years; I %)	

L	**Step 5: Estimate the future values of current available sources** Estimate the future value of each source of retirement income based on their respective projected returns.	Use this formula when estimating lump sum amounts: FV = Current asset value x FVIF	
	Step 6: Derive the surplus / (deficit) of funds at retirement		
M	Surplus / (deficit) at retirement	K - L	
	Step 7: If a deficit is derived, calculate the monthly amount to be saved to cover it		
N	Savings per annum required to cover deficit	N = M/ FVIFA (G years; I %)	
O	Savings per month required to cover deficit	N = M / 12	

Abbreviations:
FVIF: Future Value Interest Factor
PVIFA: Present Value Interest Factor of Annuity
FVIFA: Future Value Interest Factor of Annuity

MEMBERSHIP BENEFITS

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The RFP designation is recognized by both regulators for the application of the Financial Adviser (FA) Licence and the Investment Adviser (IA) Licence.

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The MFPC is a self-regulatory organisation (SRO). MFPC membership enhances long-term public image.

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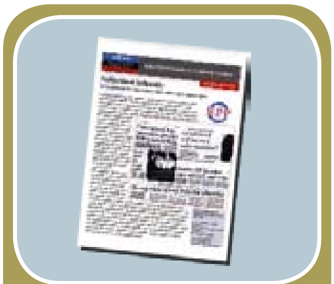
Being an MFPC Member, you will be accorded a place among a group of pioneer RFPs instrumental in the development of financial planning in Malaysia.

Platform for exchanging views and networking activities

MFPC membership provides a strategic platform to interact among industry players and regulators for the exchange of views and knowledge on the development of financial planning, locally and internationally.

Participation in Financial Planning Education and Advisory Services

RFPs are given priority to be Certified RFP Trainers. You are encouraged to actively participate in lecturing RFP Modules and conducting seminars/talks on financial planning subjects. The MFPC strongly recommends RFPs to hold advisory positions on various boards and committees in the related industry via AKPK and local universities.



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ANNOUNCEMENT

Dear members,

RFP qualification is a an approved professional qualification for the application of Financial Adviser License/Financial Adviser Representative License from Bank Negara Malaysia and Capital Markets Services License from Securities Commissions.

RFP study materials are reviewed and up-dated with industry development and regulatory changes. More case studies and illustrations have been incorporated into the study materials to ensure better understanding of the financial planning concepts. Additional information such as Zakat Planning is also included in the tax planning module to reflect the unique requirement of financial planning for Muslim clients.

The RFP Question Bank has been up-graded with additional 300 – 400 new examination questions for various RFP modules. All examination questions were edited and moderated by panel of moderators.

RFPs are also given credit advance to register for the Shariah RFP programme, where exemptions are granted for Module 4 and Module 6.

RFPs and students are to enjoy talks and seminars conducted by the MFPC for continuous professional development purposes, and educative block seminars are held to encourage and to better prepared students to sit for RFP examinations.

RFPs are benefited directly and immediately at the launch of the RM300,000 MFPC Scholarship for Shariah RFP Progamme. RFPs are strongly encouraged to equip themselves with dual designations - RFP and Shariah RFP.

With continued efforts in collaboration to offering financial planning workshops and progarmmes with the local and private universities, RFPs are given priority and more opportunities to conduct trainings and educative programmes in the universities.

RFPs and students are now having direct access to the MFPC Secretariat Office at Suite 7.01, Level 7, Menara Tun Razak, Jalan Raja Laut, 50350 Kuala Lumpur. MFPC Secretariat has started student registration and examination registration since 16 Nov 2009. All student registrations for new and old are now centralized at the MFPC Secretariat Office for members' convenience. More information and industry up-dates can also be delivered to members effectively.

Effective January 2010, all members are given a copy of Financial 1st Magazine inclusive student members of MFPC.

ANNOUNCEMENT

The National Council is pleased to announce that new fee structure for RFP Programme shall be effective from May 2010 Examinations. All registration for RFP courses and examinations for May 2010 Examinations will need to pay the new fees below as approved by the National Council.

New Fee Structure of RFP Programme

RFP Modules		By Course & Examination (RM)	Self-Study & Examination (RM)
Module 1	Fundamentals of Financial Planning	900	600
Module 2	Risk Management & Insurance Planning	900	600
Module 3	Investment Planning	900	600
Module 4	Zakat & Tax Planning	1,000	600
Module 5	Estate Planning	1,000	600
Module 6	Retirement Planning	1,000	600
Module 7	Applications in Financial Planning	1,600	1,000
Total RFP Programme Fees		**7,300**	**4,600**

Introduction of Shariah RFP Programme

We are extremely pleased to announce that our newly developed Shariah RFP progarmme is approved by Bank Negara Malaysia as a professional qualification for the application of the Financial Adviser License and Financial Adviser Representative License while we have envisage that the Islamic banking and financial services segment will experience a robust transformation and development locally and internationally, we would like to take this opportunity to encourage our fellow MFPC members to take proactive preparation to equip with Shariah financial planning knowledge and skills promptly.

Please find below Fee Structure of the Shariah RFP Programme for your attention

Fee Structure of Shariah RFP Programme

RFP Modules		By Course & Examination (RM)	Self-Study & Examination (RM)
Module 1	Fundamentals of Shariah Financial Planning	900	600
Module 2	Risk & Takaful Planning	900	600
Module 3	Shariah Investment Planning	900	600
Module 4	Zakat & Tax Planning	1,000	600
Module 5	Shariah Estate Planning	1,000	600
Module 6	Shariah Retirement Planning	1,000	600
Module 7	Applications in Shariah Financial Planning	1,800	1,000
Total RFP Programme Fees		**7,500**	**4,600**

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