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An
ISLAMIC GUIDE
to
PERSONAL FINANCE



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INTRODUCTION



Many people run into problems in life because they do not manage their finances correctly. The basic concepts of managing money are not taught at school. Many parents also do not teach them to their children at family level. There is an assumption that these things will be learnt automatically through the course of life. However, the reality is that many people live their lives without learning them.

This book has been compiled to explain the basic principles of developing healthy financial habits. These principles should assist anyone dealing with money on a personal level. They will be of particular benefit to those who are in debt or who have problems controlling money. It is important to remember that practicing on these principles should be a life-long endeavour. The path towards becoming debt-free may take months and even years.

The book is divided into 5 parts. Part 1 deals with 25 basic principles of managing money. Part 2 deals with methods to derive barakah in one's earnings. Part 3 discusses some commonly encountered financial scenarios. Part 4 is a brief study of the financial life of a

wealthy Sahabi, Abdur Rahmaan ibn Awf Radhi Allahu Anhu. Part 5 has stories of some real life incidents in the modern world of money and business.

May Allah Ta'ala reward all those who assisted in making this publication a reality.

Afzal Ismail

Jumadal Ukhra 1443 / January 2022



Nabi Sallallahu Alaihi Wasallam said:

الاقتصاد في النفقة نصف المعيشة

“Moderation in spending is half of sustenance.”

~ *Shu'abul Imaan* ~



BASIC PRINCIPLES OF MANAGING MONEY



1. BUY IN CASH – AVOID TERMS

Islam teaches us that debt is not a default tool but a last resort. Nabi Sallallahu Alaihi Wasallam on various occasions discouraged the taking of loans. Nabi Sallallahu Alaihi Wasallam said, “All the sins of a martyr are forgiven except debt.” (*Muslim*) Nabi Sallallahu Alaihi Wasallam refused to perform the Janazah Salah of a Sahabi who passed away without leaving sufficient wealth to pay off his debt. (*Bukhari*)

In the past, people were slaves to their masters. Today, consumers are slaves to their creditors. People are restricted from achieving their life ambitions and reaching their full potentials because they are in debt to the banks.

The golden rule that will save you from this slavery is to only buy an item when you have the cash for it. Putting some purchases on hold until you can afford them will not make you suffer. Rather, it will probably save you a great deal of stress and anxiety. So avoid buying on terms or on account whenever possible.

Another benefit of paying in cash is that you can physically feel the

Basic principles of managing money

money leaving your hands. With accounts and credit cards, you don't feel like it's a purchase, so you are easily tempted to overspend.

One should only borrow money or buy on credit in extreme financial circumstances. It is incorrect for a person to take a loan for purposes of luxury, extravagance or to maintain an artificial standard of living. Nowadays, credit has been made appealing and easy to acquire. One can buy almost anything and everything on credit. The question of need and necessity is rarely asked. Such a system goes against Islamic teachings. To make matters worse, in today's world of economic exploitation, another harm that almost always accompanies credit is riba (interest).

The concept of consolidating debts was created as a solution to multiple debts. Now, instead of paying towards a loan, credit card and a bond, you can have all your debts combined and pay a single amount every month. For some people, this opens another door to spending on credit. Instead of helping pay off debts, a person is thrown into further debts. Be careful!

RULES REGARDING LOANS AND DEBTS

The following are some useful rules regarding loans and debts:

- Avoid taking loans as far as possible.
- If you do take a loan, ensure that the loan agreement conforms with the rules and injunctions of Islam. There should be no interest or impermissible conditions attached. Check the agreement with a competent Mufti.
- Have a genuine and sincere intention to repay the loan. If your

