

Retirement planning season in Canada



CANADA

By Mohamad Sawwaf

At the beginning of each year in Canada, the investment world is booming to attract investors looking to put their money in Registered Retirement Savings Plans (RRSPs) in order to benefit from tax deductions but also to save for their retirement. We call it the 'RRSP season'. The RRSP is a retirement account introduced by the government to help Canadians save for retirement. The main benefit of RRSPs is that tax on RRSP investment gains are deferred until retirement. In 2018, six million Canadian (22% of taxpayers) contributed to their RRSP totaling more than US\$43 billion of contributions.

As part of this population, Canadian Muslims are also contributing to their RRSP. However, in the previous years, the Shariah compliant investment vehicles were limited, pushing Muslims either to invest the money in non-compliant vehicles and then donate the gain to charity or leave the money in cash.

This year would be quite different as the Shariah compliant investment offerings

have expanded and many new players emerged in the market in 2020 such as the following:

- Diversified Halal Portfolios offered by Manzil is made up of two types of Halal funds: An income fund that invests in real estate to provide Muslims across Canada with Halal home mortgages and an equity fund – owned by Wahed Invest and listed on the NASDAQ – that invests in a portfolio of selected Shariah compliant stocks.
- Canadian Islamic Wealth is a full-service wealth management firm that provides investing accounts (including RRSPs) according to Halal principles.
- ShariaPortfolio offers Canadians actively managed portfolios invested in Halal financial instruments as well as passively managed portfolios directly invested in their US-based exchange-traded funds (ETFs): The SP Funds Dow Jones Global Sukuk ETF, the SP Funds S&P 500 Shariah Industry Exclusions ETF and the SP Funds S&P Global REIT Sharia ETF.

In 2014, Statistic Canada reported that 78% of Canadian labor market participants were financially preparing for retirement.

There are no specific studies about the proposition of the Muslim community in Canada that have an RRSP account, but the anecdotal evidence suggests that many Muslims have not participated in this type of account.

The main reason behind this situation is that the common belief is that those accounts are not Shariah compliant and invested by default in interest-bearing investments.

Therefore, all players that offer Shariah compliant investment products have first to educate the community on the benefits of RRSPs and what makes them Halal to elevate the awareness of the community about this type of account and allow them to be well prepared for their retirement just like the rest of Canadians. (2)

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Crowdfunding and Islamic finance for the growth of the entrepreneurial ecosystem



ITALY

By Stefano Loconte

As seen in recent years, Italy has demonstrated its interest and inclination to open the field to alternative finance and its demand is expected to rise. Crowdfunding is a phenomenon that is building a strong path in Italy since 2017.

Crowdfunding represents an important source of funding each year for about half a million European projects that otherwise would never receive the funds to see the light of day, and especially during this difficult time, this trend is expected to significantly increase.

In fact, in the first semester of 2020 (during the pandemic period) equity

crowdfunding reached EUR76 million (US\$92.49 million) and in 2021 this trend is expected to increase further following the possibilities provided by the Italian legislator with regards to the convenient tax regime applied to crowdfunding investors.

It is worth mentioning that the Regulation on European Crowdfunding Service Providers has recently introduced an optional EU regime which enables crowdfunding platforms to easily provide their services across the EU Single Market.

So, instead of having to comply with different regulatory regimes, these platforms will have to comply with only one set of rules, both when operating in their home market and in other EU member states.

The aim of this regulation is to widen the pool of investors and the number of projects to pick from, as well as provide legal certainty with regards to the applicable investor protection rules.

Combining the principles of Islamic finance and crowdfunding, together with the development of technology, represents a unique opportunity to deeply contribute to the enhancement of the entrepreneurial ecosystem in Italy and the promotion of social and economic development. (3)

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