

By The Cooper X

# Personal Finance in Islam

A Strategic Guide to Barakah





## **THE COOPER X**

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1. Personal Finance.
2. Islamic Economics.
3. Halal Financial Management.
4. Zakat and Investments.
5. Psychology of Spending.

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# About Me

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Like many people, I didn't always grow up with perfect financial habits. I saw how stress, confusion, and lack of guidance around money can damage families, relationships, and even faith. That's what pushed me to start learning not just how to make money, but how to manage it, in a way that brings peace, purpose, and "Barakah".

I spent most of my corporate career working for accounting firms called KPMG, and I spent my time there counting money for companies. I have worked with many different CEOs and CFOs of different businesses in Dubai, Bahrain, Kazakhstan and New Zealand which is where I understood how money works and how rich people manage their money and cashflow.

I believe money is not just something we earn - it's something we're entrusted with.

*TheCooper X*

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# Introduction

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In Islam money is not just a tool, but it is also a trust. It is not owned by us absolutely; it is given to us temporarily. Every coin, every salary, every opportunity is part of an "Amanah" from Allah. That's why personal finance in Islam is not about becoming rich, but rather it's about becoming responsible.

The pathway to wealth is not just making more money, but knowing about your finance. Without knowledge, money controls you. With knowledge, you control your money, your future and your mind.

## Wealth as an "Amanah" (Trust)

In Islam, wealth is a test. Allah asks: How did you earn it? How did you spend it? Who benefited from it? Money is not neutral. It can elevate you or expose you. When your finances are aligned with your belief, your wealth becomes worship.

## Why Financial Knowledge Is "Ibadah"

Learning how to manage money properly is part of serving Allah. When you budget with intention, save with discipline, avoid riba, give "Zakat" correctly, and provide for your family, you are worshipping through wisdom. Islam doesn't separate the masjid from the marketplace. Your bank account reflects your belief system.



"Knowledge without action is entertainment.  
Knowledge with action is transformation."

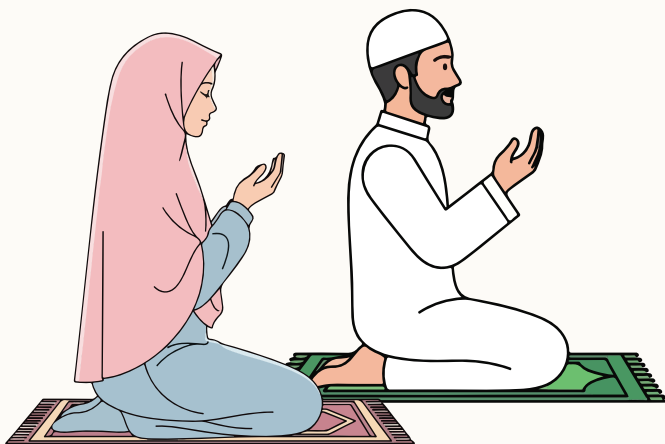
# Introduction

## "Barakah" vs Just "More Money"

You can have a big income with stress, or a big house with no peace. "Barakah" is when your money stretches, your needs are met, your giving increases, and your anxiety decreases. "Barakah" comes from obedience, clarity and purpose, not just from numbers.

### Action Step: Set Your Intention

Before you continue this book: Make niyyah to learn. Decide to act, not only to read. Commit to one change per chapter. Ask Allah for "Barakah".



### Duā for Knowledge

*"Allāhumma innī asألuka ىلمان nāfián, wa rizqan tayyiban, waámalan mutaqqabalan."*

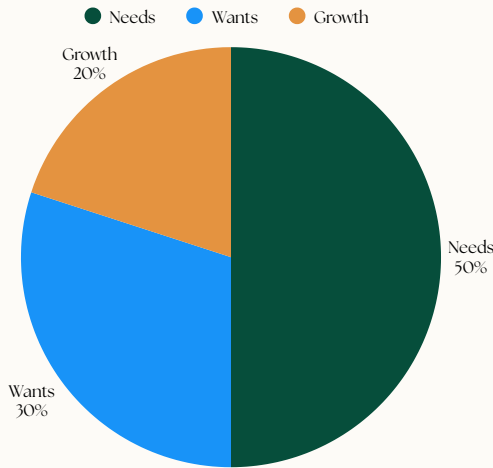
# 01. Budgeting

## Giving Your Money a Job

Budgeting is not about restriction, it's about direction. When you budget, you are not telling your money where it **can't** go, you are telling it where it **must** go. Every dollar, euro, or tenge you earn should have a purpose before the month even begins.

## The "Halal" 50/30/20 Model

A simple and powerful structure is the 50/30/20 model, adapted for a comfortable "Halal" lifestyle:



Where:

**Needs:** Rent, food, utilities, transport, "Zakat" & Charity and other pillars of survival.

**Wants:** Eating out, hobbies, travel and other entertainment.

**Growth:** Emergency savings and "Halal" investments.

This model reminds you that money is not only for comfort, but also for security and purification. "Zakat" and charity are not leftovers, they are priorities, they are needs.

# 01. Budgeting

## Zero-Based Budgeting

Zero-based budgeting means you assign every unit of money a purpose until your income minus expenses equals zero. Not zero in your bank account - zero with intention. This method removes guesswork and emotional spending.

### Action Step: The 1-Page Budget

Write your total monthly income. List your fixed expenses. Assign amounts to savings, "Zakat", and investments. Set limits for wants, make sure every dollar has a job.

Description	Actual (\$)	Budgeted (\$)	Variance (\$)	Reason
Salary Received	5,000.00	5,000.00	(500.00)	Penalty for being late at work
Dividend Income	100	100	0	Not applicable
<b>Total Income</b>	5,100.00	5,600.00		
Rent	1,000.00	1,000.00	0	Correct
Utilities	230	150	80	Water bill overage
Gym Membership	15	15	0	Correct
Car Loan	150	150	0	Correct
Monthly Investment	510	560	(50.00)	Less income
<b>Total Expenses</b>	1,905.00	1,875.00		

# 02. Tracking Expenses

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## Actual vs Budget

A budget is a plan, tracking is the truth. You can design the most beautiful budget in the world, but without tracking your real spending, it becomes just a wish list. Tracking expenses is a disciplined process, combining it with honesty is a big win.

## How to Track Expenses?

- **I.** Create an Excel sheet and write your budgeted income
- **II.** Your budgeted expenses should be written below income (as presented in table on page 9).
- **III.** Add all budgeted expenses, even if they cost 1 dollar or 1 cent
- **IV.** Use following formula:  $\text{Income} - \text{Expenses} - \text{Investments top up} = \text{combination of all your bank accounts and cash in hand.}$
- **V.** Then add your actual expenses occurred from your bank statement and compare with budget.

## Why Most People Overspend

Overspending rarely happens in big moments. It happens in small, repeated ones: extra coffee, fast food “just once”, or online subscriptions you forgot. Tracking exposes these invisible leaks.

## The Power of Weekly Money Check-Ins

Once a week, sit with your numbers. Ask yourself: *What did I plan to spend? What did I actually spend? Where did I go over?* These 15 minutes per week can change your financial future more than any salary increase. Refer to example in table above on page 9.

### Action Step: 7-Day Challenge

For the next 7 days: Write down every single expense. No judging, no fixing, just observing. At the end of the week, compare it with your budget and circle the biggest surprise.

# 03. Savings

## Paying Yourself First

Most people save what's left after spending, smart people save first and spend what's left. Savings is not about being rich, it's about being prepared. In Islam, planning is part of tawakkul, you tie your camel, then you trust Allah.

## Types of Savings You Should Have

- **Emergency Fund:** 3–6 months of living expenses. For real emergencies, not shopping, entertainment. In order to do it, you will need to know your expenses explained in chapter 2 earlier.
- **Short-Term Savings:** Holidays, car repairs, Umrah, maintenance at home, gifts for parents and kids.
- **Long-Term Savings:** Investments, retirement, pension contribution and children's future.

## How Much Should You Save?

There is no fixed amount, it depends on your financial opportunities and situation. The main point here is to start saving and make the contribution to savings account, even if it's a small amount. For example, if you earn \$1,000 then save \$50 first month, save \$100 next month and see if you can manage your expenses and lifestyle while saving 10-30% of your salary. Always be consistent and don't skip any periods.

Consistency beats intensity. It's better to save a little every month for 10 years than a lot for 3 months.

### **Action Step: Automate Your "Barakah"**

Choose your savings percentage and open a separate savings account.  
Set automatic transfers on payday. Label each savings goal.

# 04. Loans & Credit Cards

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## Debt Without Slavery

Debt can build you or break you. Used wisely, it can help you move forward. Used emotionally, it turns into a chain around your future. In Islam, freedom is not only spiritual, it's financial too.

## The Danger of Interest (Riba)

In Islam, riba is not just a financial issue, it's a spiritual one. Interest grows money without effort and builds systems of exploitation. Credit cards make spending feel painless today but painful tomorrow.

## How Credit Cards Trap People

- You spend future money today
- You underestimate monthly payments
- You normalize minimum payments
- You confuse credit with income

Credit cards don't change your lifestyle. They delay the consequences..

*"Allah destroys interest and gives increase for charities."*

**Al Quran, Surat Al- Baqarah, Ayah 276**

*"O you who have believed, fear Allah and give up what remains of interest, if you should be believers."*

**Al Quran, Surat Al- Baqarah, Ayah 278**

# 04. Loans & Credit Cards

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## Smart Rules If You Use Credit Cards

If you must use them: pay the full balance every month, never carry interest. Don't use them for lifestyle. Use only for cash-flow control.

## How to Get Out of Debt

Two proven strategies:

- Snowball Method: Pay smallest debts first for motivation
- Avalanche Method: Pay highest interest first for speed

Choose the one you will stick to.

### **Action Step: Debt Freedom Plan**

List all debts. Write balances, rates, minimums. Choose your method (Snowball or Avalanche). Set one aggressive payment. Close doors to new debt.



# 05. Retirement

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## Thinking Beyond Today

Most people plan their weekends better than their future, but Islam teaches us to think beyond today. Retirement is not about stopping work, it's about protecting your dignity when your energy slows down.

## What Retirement Really Means

Retirement is not laziness, but rather a freedom with responsibility. It means:

- You choose how to spend your time.
- You are not forced to work out of fear.
- You serve with wisdom, not pressure.

Retirement is about options, not escape.

## Why Muslims Must Plan Long-Term

In Islam, we plan with trust. You don't rely on your children, you don't rely on the government, you rely on Allah and your preparation. The Prophet ﷺ taught us a balance: spiritual focus with worldly responsibility.



# 05. Retirement

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## Consistency Over Big Amounts

You don't need a big salary, what you need is a long-term vision.

- Start early.
- Contribute regularly.
- Increase with income.
- Stay patient.

**Time + consistency = power. A small amount invested monthly for 30 years beats a big amount saved late.**

## What Should Your Retirement Include?

- Pension contributions
- "Halal" investment growth
- Savings for healthcare
- Dignified living costs

Retirement isn't about luxury. It's about security with "Barakah".

## Retirement Is Built in Seasons

- Your 20s = planting
- Your 30s = building
- Your 40s = strengthening
- Your 50s = protecting

**Don't delay what only time can multiply.**

### **Action Step: Your Future Planning Start**

Write your desired retirement age, estimate monthly needs, choose "Halal" retirement tools, start with any amount, and automate contributions.

# 06. Mortgage

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## Buying a Home the "Halal" Way

A home is more than walls and a roof, it's safety, stability, a place where iman grows and children feel rooted. For Muslims, buying a home is not just a financial decision, it's a spiritual one too. The question is not only: *'Can I afford it?'* But also Is: *'Is it pleasing to Allah?'*

## Renting vs Owning – The Real Comparison

- **Renting** gives flexibility (Lower responsibility, easier to move, no long-term asset).
- **Owning** gives stability (Builds equity, creates roots, requires discipline).

The goal is not ownership at any cost, it's right ownership at the right time and right place.

## Why Conventional Mortgages Are a Problem

Most conventional mortgages are built on riba (interest). You borrow money and repay much more over time, without sharing risk. In Islam, money should grow through trade and partnership, not guaranteed interest. That's why Muslims seek alternatives that avoid riba and exploitation.

## What You Can Afford vs What You Want

Just because the bank approves you for an amount doesn't mean you should take it. A "Halal" home should:

- Not destroy your savings
- Not delay your "Zakat"
- Not steal your peace

Your house should support your life.

# 06. Mortgage

## "Halal" Home Financing Options

Islamic finance uses structures like:

- **Murabaha** – Cost + profit model (*bank buys the house and sells you with commission*).
- **Ijara** – Lease-to-own (*bank buys and leases the house to you, to sell the house to you later on down the road*)
- **Musharakah** – Partnership model (*you and bank both own the house*)

These methods aim to replace interest with shared risk and transparency. Always ask:

- Who owns the house?
- How is profit calculated?
- Who carries the risk?

## Hidden Costs of Owning a Home

Buying a house includes more than the house price, it also includes following:

- Maintenance
- Insurance
- Taxes/rates
- Repairs
- Furnishing

If you ignore these aspects, the house owns you and your finance, because above mentioned list cost a lot of money.

### Action Step: Your Home Readiness Checklist

Before you buy, answer honestly:

- Do I have an emergency fund? Can I handle repairs without debt? Is my financing "Halal" and clear? Does this house fit my life - not my ego? Will this choice bring peace or pressure?
- A "Halal" home is not the biggest house. It's the one built on "Barakah", clarity, and balance.

# 07. Pension Contribution

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## Don't Leave Free Money on the Table

Your salary is only part of your income, your benefits are the rest. And one of the most powerful benefits many people ignore is their pension. Pension contributions are not just a future plan - they are present day investment. When structured correctly and "Shariah" compliant, they turn small sacrifices today into big security tomorrow. Every dollar you don't contribute is a dollar you chose not to multiply.

## What a Pension Really Is

A pension is delayed income, it's money you earn today but receive later. Instead of spending everything now, you allow part of your income to grow quietly over time - protected, invested, and compounding. Pensions reward patience.

## Employer Matching – Free Money

Many employers match part of your contribution. That means:

- You put in \$100
- Your employer adds \$100

That's a 100% return before any investing happens. Not using your match is like rejecting a bonus you already earned. Discuss your options with your payroll manager.

## The Power of Compounding

Compounding is when your money earns money, and then that money earns money too. Time is the real hero.

- Start at 25 → Strong future
- Start at 35 → Still powerful
- Start at 45 → Still possible

But waiting always costs more.

# 07. Pension Contribution

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## "Halal" Pension Choices

Not every pension fund is "Halal". You must ask:

- Where is the money invested?
- Does it include interest-based companies?
- Does it support "Haram" industries?

Look for:

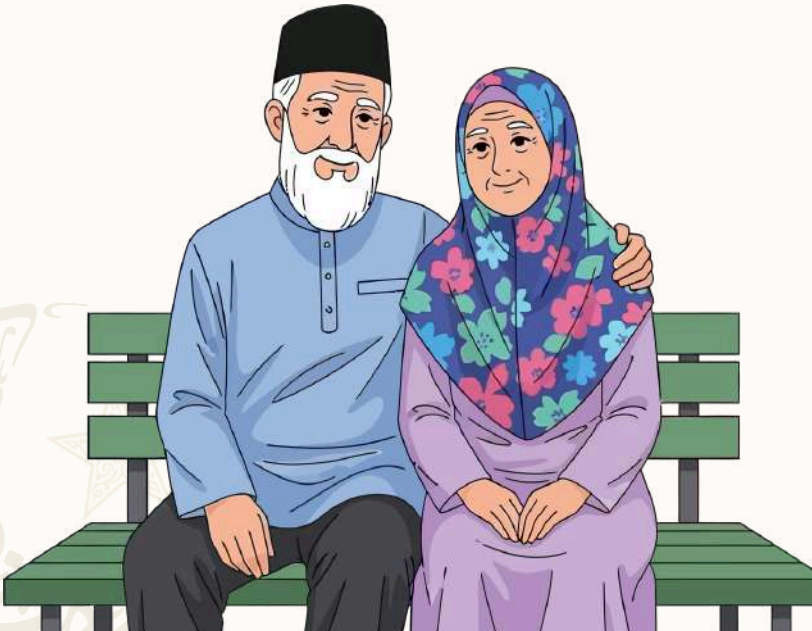
- Shariah-compliant funds
- Ethical screened portfolios
- "Halal" investment options

"Barakah" matters more than numbers.

## How Much Should You Contribute?

- At least to get full employer match
- Increase when income increases
- Never decrease when lifestyle increases

Your future standard of living is built on today's discipline.



# 08. Side Hustle

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## Increasing Income With "Barakah"

You can't budget your way out of a low income, you can only earn your way out of it. While controlling expenses is important, increasing income gives you breathing room, options, and generosity. In Islam, *rizq* comes from Allah - but effort is how you meet it. A side hustle is not considered as a greed, but rather it's a responsibility with intention.

## Why Income Growth Matters

More income means:

- Faster debt freedom
- Stronger savings
- More sadaqah
- Better future for your family

You don't want more money to show off, what you want is more money to serve Allah better.

## Start With What You Already Have

Your best side hustle is not what's trending , it's what you can do. Look at:

- Your skills
- Your experience
- Your network
- Your time availability

You don't need a new life, you need a new use of your evenings.

### **Action Step: Skills review**

Sit down in quiet room and write down all of your skills. Then rate them from top to bottom on scale from 1 to 10 how good you are in performing that skill - then monetize it.

# 09. "Zakat" & Charity

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## Purifying Your Wealth

Wealth not only needs to be earned, it also must be purified. In Islam, money is not only about accumulation, but also about circulation. "Zakat" & charity aren't losses, they are protection, cleansing and growth. When you give, you don't become poorer, it is exactly opposite and you become lighter, spiritually and financially. **"Zakat" isn't generosity, it is obligation with mercy.**

## What "Zakat" Really Is

"Zakat" is a pillar of Islam. It is a right of the poor in your wealth. It reminds us:

- We are owners in dunya, not in akhirah
- Our money is a test
- "Barakah" comes from obedience

**"Zakat" is not optional kindness - It is a system of justice.**

## Types of "Zakat" You Must Know

- "Zakat" on Cash & Savings: 2.5% after one lunar year (hawl)
- "Zakat" on Gold & Silver: based on nisab value
- "Zakat" on Business Assets: inventory + cash – liabilities
- "Zakat" on Investments: depending on type and intention

## "Zakat" vs "Sadaqah"

- "Zakat" is "*wajib*" (obligatory), whereas Sadaqah is voluntary and unlimited.
- "Zakat" purifies. "Sadaqah" beautifies.
- Both grow your wealth. just in different dimensions.

# 09. "Zakat" & Charity

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## “Barakah” in Giving

The Prophet ﷺ said charity does not decrease wealth. Why? Because:

- It removes hidden harm
- It invites divine increase
- It builds hearts and communities

You don't give because you're rich, it is opposite - you become rich because you give.

## Who Deserves "Zakat"?

The Qur'an names 8 categories:

- The poor
- The needy
- Those in debt
- Those working to distribute "Zakat"
- New Muslims
- Slaves (freeing people)
- In the path of Allah
- Stranded travelers

"Zakat" is not random charity - It's targeted mercy.

### **Action Step: "Zakat" System**

Calculate your *nisab*. Track your hawl date. List all "zakatable" assets. Set aside your "Zakat". Choose trusted recipients.

### **Al Quran, Surat Al- Baqarah, Ayah 43**

*"And establish prayer and give "zakat" and bow with those who bow [in worship and obedience]."*

# 10. Must Have Accounts

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## Designing a System for "Barakah"

Managing money is easier when it's organized. Just like you assign every dollar a job through budgeting, you should also assign every account a purpose. The goal isn't to complicate your finances, it's to clarify them. Think of your bank accounts as rooms in your financial home. In Islam, wealth is a trust.

How you store, separate, and distribute it matters. A good financial system helps you fulfill that trust with structure and intention, not confusion and guesswork.

## Why Multiple Accounts Matter

Having more than one account isn't about showing off, it's about showing discipline. When all your money sits in one account, it's easy to overspend without realizing it. Separate accounts create healthy boundaries. They make your money visible, traceable, and purposeful. A clear system answers the question: "Where is my money meant to go?" Before temptation asks, "What can I spend it on?"

## The Four-Account System for a Balanced Life

When you receive your salary or any other income, you need to split them into 4 different accounts as per below:

- **Account 1** – Essentials (Needs): Rent, groceries, bills, "Zakat".
- **Account 2** – Lifestyle (Wants): Eating out, hobbies.
- **Account 3** – Investment: Savings, investments.
- **Account 4** – Income receiving account

Income account is where you receive all funds (salary, dividends, business profit) and allocate to other accounts. First thing you need to do when you receive your income is to send money to savings account.

**Account 1** is your essential lifestyle support account, where you pay your rent/mortgage, groceries, gym membership, petrol, clothes, "Zakat" & charity etc.

**Account 2** is to support your budgeted entertainment and other wanted items and activities.

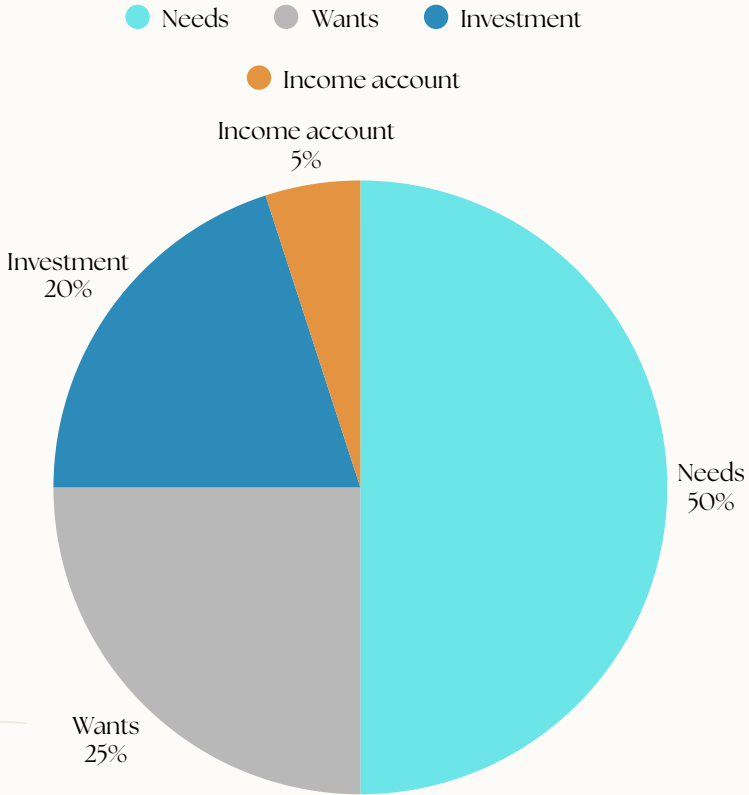
**Account 3** is to save up for investments and growth.

**\*Bear in mind, all accounts must be in "Halal" institutions.**

# 10. Must have accounts

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The pie chart below is presented as an example to give you an idea on how to split your bank accounts. Keep in mind to keep your Income receiving account separate and almost empty as per below chart:



# 11. Lifestyle Review

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## Are You Living or Just Paying Bills?

Many people wake up tired, work all day, come home exhausted, and repeat. Not because they love their life, but because their lifestyle demands it. A lifestyle review is not about cutting joy, but rather about removing what is stealing your peace. You weren't created just to survive. You were created to live with purpose.

## What a Lifestyle Review Really Is

A lifestyle review is when you pause and ask:

- Why do I spend what I spend?
- Does my lifestyle match my values?
- Am I building a life or maintaining an image?

Your lifestyle should support your iman, family, health, and future, not compete with them. If you feel like your expenses are running your life, schedule a financial review session with an advisor: Calendar event.

## Lifestyle Inflation – The Silent Thief

As income rises, spending rises faster. New car, bigger house, more subscriptions, more pressure, but peace does not increase with price tags. Lifestyle inflation turns success into stress.

## Social Media Pressure

You see highlights, then you feel behind, but comparison steals contentment and creates fake urgency. You don't need their lifestyle, you need your life to make sense.

They are those who pray, "Our Lord! Keep the punishment of Hell away from us, for its punishment is indeed unrelenting. It is certainly an evil place to settle and reside." They are those who spend neither wastefully nor stingily, but moderately in between.

**Al Quran Surah Al-Furqan, Ayah 65-67**

# 11. Lifestyle Review

## Aligning Spending With Values

Ask before every major expense:

- Does this bring me closer to Allah?
- Does this improve my family life?
- Does this support my long-term goals?
- Or does it just look good online?

Your money should fund your mission - not your ego.

## Intentional Living

Intentional people choose:

- Simplicity over stress
- Meaning over material
- Growth over comfort

They don't buy everything they can afford. They buy what they can justify with purpose.

### Action Step: Lifestyle Audit

List your top 10 monthly expenses. Circle the 3 that bring real value. Question the rest. Cancel one thing. Replace one expense with a meaningful habit.



# 12. Needs vs Wants

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## The Most Powerful Money Skill

The secret to financial peace isn't earning more, it's knowing the difference between what you need and what you simply want. This awareness is one of the most powerful money skills you can build. It protects you from regret, debt, and distraction. In Islam, moderation (wasatiyyah) is a sign of wisdom, a heart that can distinguish between needs and wants is a heart that spends with clarity, not emotion.

## Why This Skill Matters

Money itself doesn't cause stress, confusion does. When everything feels "important," spending turns impulsive. By defining needs and wants, you take back control.

- Needs maintain your life.
- Wants decorate it.



# 12. Needs vs Wants

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## The 50/30/20 Perspective – Through the Lens of Intention

To practice this balance, revisit the 50/30/20 model through the filter of needs and wants:

- **50% – Needs:** Shelter, food, basic clothing, utilities, transportation, "Zakat", charity and obligations.
- **30% – Wants:** Restaurants, entertainment, gadgets, travel, aesthetics.
- **20% – Growth:** Savings and "Halal" investments.

## The “Pause Before You Purchase” Principle

Before every purchase, pause and ask:

- Do I need this to live well, or just to feel better right now?
- Will I still value this next week, next month, or next year?
- Does this purchase align with my goals and my faith?

This tiny pause turns ordinary spending into mindful spending.

### Action Step: Redefine Priorities

Make two columns: "My Needs" and "My Wants". Look at last month's spending. Challenge yourself: reduce one want and redirect that amount into growth or giving.

*"And give the relative his right, and [also] the poor and the traveler, and do not spend wastefully. Indeed, the wasteful are brothers of the devils, and ever has Satan been to his Lord ungrateful."*

**Al Quran Surah Al-Isra, Ayah 26-27**

# Conclusion

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Money is a servant - not a lord. It was created to serve your life, your family, and your purpose. The moment money becomes your master, you lose something far more valuable than wealth: you lose control of your heart.

Your value comes from your iman, not your income. You are not here to worship money. You are here to use money to worship Allah.

## What Money Is (and What It Is Not)

- Money is: a tool, a test, and a responsibility
- Money is not: your identity, your worth, nor your security

## Control vs Slavery

- When you control money: you plan, you give, you choose
- When money controls you: you panic, you chase, you compromise

The difference is not how much you earn. It's how much power money has over your decisions.

## Discipline Builds Dignity

You don't build financial strength with luck. You build it with habits. Budgeting, tracking, saving, investing "Halal", giving "Zakat", living intentionally, small daily choices create lifelong outcomes.

*"Indeed, Allah will not change the condition of a people until they change what is in themselves."*

**Al Quran, Surat Ar-Ra`d, Ayah 11**



# What is coming up?

1. "Halal" Investment Guide ebook
2. "Halal" Finance for kids



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