Name: **Date:**

Halal Investing 101

screen your first stock — the exact test I run before buying anything, grab a calculator · Aydin Ali

This is Handout 5 of 6. If "APR," "interest," and "credit score" didn't fully make sense yet, go back to Handout 1 first — this whole page assumes you already know what those words mean. Once the basics click, the halal question gets pretty sharp pretty fast: what is this company actually doing to make money, and how much of that runs on interest? That's really the whole test.

> I'm not a scholar. This is the standard I personally use, not a religious ruling — for a real answer about your own situation, ask someone qualified to give one.

QUICK VOCABULARY

Riba — interest. Earning it or paying it is what this whole screen is built around avoiding.

Halal — permissible. **Haram** — forbidden.

Purification — giving away the portion of a dividend that came from a company's interest income, instead of keeping it.

THE TEST

Three steps, in order

1. **What does the company actually do?**
   If the core business is a conventional bank or lender, alcohol, gambling, tobacco, pork, adult content, weapons, or conventional insurance — it's out. Doesn't matter what the numbers say after this. No ratio brings it back.
2. **How much debt is it carrying?**
   Interest-bearing debt ÷ market cap needs to stay under roughly a third (33%). A good business can still fail this if it's financed on too much conventional debt.
3. **How much interest-earning cash is it sitting on?**
   Same rough one-third limit, this time on cash and interest-bearing holdings. A company hoarding cash in an interest account fails this even with zero debt.

There's a fourth, smaller check on incidental non-halal income, but it's the hardest one to verify from public numbers alone — I don't pretend to have a clean answer for it every time, and neither should you.

WORKED EXAMPLE — "UMMAH TECH CO." (MADE UP NUMBERS, REAL METHOD)

Interest-bearing debt: **$30B**
Market cap: **$120B**
Debt ratio: 30 ÷ 120 = **25%** → under 33%, **PASS**

Interest-bearing cash: **$20B**
Market cap: **$120B**
Cash ratio: 20 ÷ 120 = **16.7%** → under 33%, **PASS**

TRY IT YOURSELF — PICK A REAL COMPANY

Company name: ______________ Ticker: _______

Step 1 — business check: Pass ☐ Fail ☐

Interest-bearing debt: $______________ Market cap: $______________

Debt ratio = _______ ÷ _______ = _______% → Pass (under 33%) ☐ Fail ☐

Interest-bearing cash: $______________ Market cap: $______________

Cash ratio = _______ ÷ _______ = _______% → Pass (under 33%) ☐ Fail ☐

Overall: HALAL ☐ NOT HALAL ☐ ASK A SCHOLAR ☐

WHAT TO DO WITH THIS

Putting it into practice

Start with a fund, not stock-picking. Something like SPUS or HLAL already runs this exact screen continuously and rebalances when a company stops qualifying — less work and less room to get it wrong than doing it yourself, stock by stock.

If you want individual stocks, use an app before you buy. Zoya and Musaffa run this same test and keep it current — use the worksheet above to understand *why* a stock passes, then let the app confirm the live numbers.

Re-check, don't assume it's permanent. A company that passes today can take on debt next year. Real Islamic funds re-screen every quarter for exactly this reason.

If a stock starts paying a dividend, purify it. Estimate the share of the company's income that came from interest, and give that share of your dividend to charity instead of keeping it.

"Halal" and "ethical" aren't the same test. A halal-compliant company can still be bad on labor or environmental practices, and an ESG fund can hold a conventional bank. Don't assume one covers the other.

QUESTIONS I ACTUALLY GET ASKED

FAQ

Is investing itself haram?

No — owning a piece of a real business is fine. It's specifically interest (riba) and a handful of forbidden industries that make something haram, not investing as a category.

What about crypto?

Genuinely contested — different scholars land in different places on this one. Don't assume either answer; ask someone qualified.

I already own a stock that fails this test — now what?

Most people sell once they know, and purify any dividend income already received from the haram portion. Talk to a scholar for a precise answer on your specific case.

Where do I actually find these numbers?

A company's 10-K or investor relations page has the balance sheet. Zoya and Musaffa pull it automatically if you'd rather not dig for it yourself.

QUICK RECAP

- ☐ Business type is checked first — some industries are out no matter the numbers.
- ☐ Debt ÷ market cap and cash ÷ market cap both need to stay under roughly 33%.
- ☐ A fund (SPUS, HLAL) does this screening for you automatically.
- ☐ An app (Zoya, Musaffa) checks a single stock for you.
- ☐ Re-screen every quarter — passing today isn't permanent.
- ☐ Purify dividend income from the interest-bearing portion.

TRY THIS BEFORE NEXT SESSION

Pick one stock you've actually heard of and run it through the worksheet on this page before you check an app. Then compare your answer to what the app says — and if they disagree, figure out why.

Handout 6 covers zakat — a separate obligation from purifying investment income. Not a fatwa. I'm not an Islamic scholar and this isn't a religious ruling — it's my own explanation of a widely used, publicly documented screening standard. Different scholars and different Shariah boards can land on different answers for genuinely borderline names; talk to a qualified advisor about your own situation. Not investment advice — nothing here is a recommendation to buy, sell, or avoid anything. — aeacapitalresearch.com