CLASS HANDOUT HANDOUT 8

Build Your First Investing Plan

Separate the account, the investment, and the strategy. Then add the halal screen before money moves.

BY THE END, YOU SHOULD BE ABLE TO

- Distinguish a Roth IRA, taxable brokerage account, index fund, and stock.
- Compare fees, diversification, time horizon, and liquidity.
- Turn a goal into a repeatable contribution rule.
- Apply ethical and halal constraints without confusing them with expected return.

THREE LAYERS

Account = where the investment sits. Investment = what the money owns. Strategy = how and why you add, hold, rebalance, or sell.

1. Do not buy an account

LAYER	EXAMPLES	QUESTION
Account	Roth IRA, traditional IRA, 401(k), taxable brokerage	What tax, withdrawal, eligibility, and access rules apply?
Investment	Index fund, ETF, stock, bond, cash fund	What do I actually own, what can it lose, and what does it cost?
Strategy	Monthly contribution, diversified allocation, review schedule	What rule will I follow when markets rise, fall, or get boring?
Values screen	Business activity, debt, interest income, purification	Is the source of return acceptable under the framework I follow?

2. Roth IRA is a container, not a stock pick

A Roth IRA generally uses after-tax contributions; qualified distributions can be tax-free when the rules are satisfied. Eligibility and contribution limits apply, and the amount contributed cannot exceed applicable limits or taxable compensation.

2026 CHECK

The general IRA contribution limit is $7,500 for 2026 ($8,600 if age 50 or older), but earned compensation and income eligibility can reduce what a person may contribute. Check the current IRS rules before acting.

A Roth IRA can still hold cash and never become invested. Opening the account is step one; choosing an appropriate investment is step two. A taxable brokerage account has different tax and access rules. Neither account guarantees a return.

Account comparison worksheet

QUESTION	ROTH IRA	TAXABLE BROKERAGE
Primary purpose		
Contribution or eligibility limits		
Access before retirement		
Tax treatment to verify		
What investments are available		

3. Index fund due diligence

An index fund seeks to track a market index. It can diversify across many securities, but the index, weighting method, fees, tracking method, and holdings still matter.

INDEX	What basket is being tracked? Is it broad, sector-specific, leveraged, or thematic?
COST	What is the expense ratio? Are there trading costs, loads, account fees, or tax consequences?
CONCENTRATION	How much sits in the largest companies, sector, country, or theme? A large ticker count can still hide one dominant bet.
TRACKING	Does the fund own every security, sample the index, or use derivatives? How close has it tracked after costs?
HALAL SCREEN	Which Shariah board or index methodology is used? How often is the portfolio rescreened? How are purification and noncompliant changes handled?

4. Build the rule before the market moves

Goal and date

What is the money for, and when might it be needed?

Emergency boundary

What cash must remain outside the market for bills and surprises?

Contribution rule

How much can be contributed on a schedule without borrowing or skipping necessities?

Allocation and screen

What will the account own, why does that fit the goal, and which halal methodology will be used?

Review rule

What evidence justifies a change? Price movement alone is not a plan.

Scenario lab & answer key

Scenario: Mariam has earned income, a starter emergency fund, and a 10-year-plus time horizon. She opens a Roth IRA and transfers $100. The app says 'cash available.' Is she invested? What should she decide next?

Teaching answer: Not necessarily. Funding the account can leave the money in cash. She still has to select an investment, confirm fees and risk, decide whether it meets her time horizon and values screen, and understand that a Roth IRA is the account rather than the investment.

SOURCES AND NEXT STEPS

IRS - Roth IRAs and current eligibility rules: irs.gov/retirement-plans/roth-iras

IRS Publication 590-A: irs.gov/publications/p590a

Investor.gov - Index Funds: investor.gov/introduction-investing/investing-basics/investment-products/mutual-funds-and-exchange-traded-4

AEA - Halal Investing Guide: aeacapitalresearch.com/research/halal-investing-guide