

Contents

Introduction	xii
<hr/>	
The Kind of Client This Book Can Benefit	xii
A Note about <i>Sharia</i> -Compliant Estate Planning	xiv
How This Book Is Organized	xv
About the Authors	xvii
Acknowledgments	xix
CHAPTER 1	
Meeting the Muslim Client	1
<hr/>	
A. An Introduction to the Islamic Faith	2
B. The Pillars of Faith	3
1. Stating the Testimony of Faith (<i>Shahada</i>)	3
2. Performing Daily Prayers (<i>Salah</i>)	3
3. Fasting during Ramadan (<i>Siyam</i>)	3
4. Giving Alms or Mandatory Charity (<i>Zakat</i>)	4
5. Performing a Pilgrimage to Mecca (<i>Hajj</i>)	4

C. Islamic Law and Its Sources	4
D. Sources of <i>Sharia</i>	5
1. The Quran	5
2. The <i>Sunnah</i>	6
3. <i>Ijma</i> (Scholarly Consensus)	6
4. <i>Qiyas</i> (Deduction)	6
E. <i>Sharia</i> for American Muslims	7
F. Schools of Islamic Law	8

CHAPTER 2

Ethical, Legal, and Public Policy Issues 11

A. Joint Representation of Clients	11
B. Constitutional Considerations	12
C. Public Policy Issues	13
1. Restrictions on Distributing Inheritance to Non-Muslims	13
2. Surviving Spouse's Rights and Elective Shares	15
3. Disparate Distributions on the Basis of Gender	17

CHAPTER 3

Estate Planning during Life 21

A. Religious Practices during Life	21
B. Marriage and Divorce	22
1. Requirements for a Valid Islamic Marriage	23
2. Divorce under Islamic Law	26
C. Modes of Property Ownership	28
1. Community Property	28
2. Tenancy by the Entirety	29
3. Joint Tenancy with Right of Survivorship	30
4. Tenants in Common	31

D. Division of Jointly Owned Property	31
1. Severing the Automatic Right of Survivorship	32
2. Use of a Deed of Trust	33
3. Use of Business Entities	33
4. Use of Disclaimers	34
5. Gifting Strategies	35
6. Establishing a Family <i>Waqf</i>	35
E. Financial Issues Relating to Investments	36
1. Wealth Must Be Acquired and Invested in an Ethical Manner	37
2. Debt Is Discouraged	37
3. <i>Riba</i> and <i>Gharar</i> Are Prohibited	38
F. Retirement Planning	39
1. Joint-and-Survivor Annuities	41
2. Owner-Employee Pensions and Defined Benefit Plans	43
3. Spousal Rollover and Required Minimum Distributions	43
G. Gifting, Lifetime Transfers, and <i>Zakat</i> Obligations	45
1. The Current Federal Estate and Gift-Tax Regimes	45
2. No Religious Restrictions on Gifting While Alive	48
3. Utilizing the <i>Wasiyah</i> Share to Make Bequests upon Death	50
4. Transfer-on-Death and Pay-on-Death Accounts	50
H. Charitable Trusts	51
1. Charitable Remainder Trusts	51
2. Charitable Lead Trusts	56
I. Charitable Gift Annuities	59
1. Differences between a CGA and a CRAT	60
J. Irrevocable Trusts	61
1. GRUTs and GRATs	61
2. Qualified Personal Residence Trust	62
3. Grantor Retained Interest Trust	64
4. Sales to an Intentionally Defective Grantor Trust	65

5. Beneficiary Defective Grantor Trusts	67
6. Domestic (and International) Asset Protection Trust	67
K. Self-Canceling Installment Notes	69
L. Educational Savings Plans	70
1. College Savings Plans	70
2. 529 Plans	70
3. Planning with a 529 Account	72
4. Coverdell Savings Accounts	72
M. Life Insurance and Annuities	73
1. An Introduction to Life Insurance	73
2. Term Life Insurance	74
3. Permanent/Whole Life Insurance	74
4. Irrevocable Life Insurance Trusts	75
5. Life Insurance in Islam	76
6. Life Insurance and the Islamic Law of Inheritance	77
7. Specific Examples of How Life Insurance Is Used	78
8. <i>Takaful</i> —A <i>Sharia</i> -Compliant Alternative to Conventional Insurance	79
9. Annuities	80

CHAPTER 4

Planning for Incapacity and Death: Powers of Attorney, Advance Healthcare Directives, and Funeral Arrangements

81

A. Incapacity Planning	82
1. Medicaid Planning and Long-Term Care	82
2. Gifting in a Final Illness (<i>Maradul Maut</i>)	85
B. Powers of Attorney	85
C. End-of-Life Care	86

D. DNR and Euthanasia	87
E. Organ Donation and Transplantation	88
F. Funeral and Burial Arrangements	89
G. Cadavers and Public Display of Corpses	90

CHAPTER 5

Disposition of Property at Death **91**

A. Burial and Funeral Expenses	92
B. Settlement of Obligations	93
1. Debts Owed to Third Parties	93
2. Debts Owed to God (Unfulfilled Religious Obligations)	94
3. Claims from Judgment Creditors	95
C. <i>Wasiyah</i> —Discretionary Share	95
1. Basis of the <i>Wasiyah</i>	96
2. Rules Relating to the <i>Wasiyah</i>	96
3. Purposes of the <i>Wasiyah</i>	97
4. Incorporating the <i>Wasiyah</i> into an RLT or Last Will and Statements	100
D. <i>Faraid</i> —Islamic Law’s Mandatory System of Succession	101
1. Rights of Parents and Children	101
2. Rights of Spouses	102
3. Rights of a <i>Kalalah</i> Individual	103
4. A Systematic Approach to Understanding the <i>Faraid</i> Shares	104
E. Sunni Inheritance Law	105
1. Quranic Heirs	105
2. Residuary Heirs (Agnates)	111
3. Relationship between Fixed Shares and Residuary	113
4. Distant Kindred	115
5. The Public Treasury	115

F. Shia Inheritance Law	116
1. Philosophical Underpinnings	116
2. Classes of Heirs	117
3. Requirement That a Beneficiary Be Muslim	118
4. Quranic Heirs	118
5. Undersubscription and the Doctrine of <i>Radd</i>	118
6. Oversubscription	119
7. Surviving Spouse	120
8. Children and Parents	120
9. Children of the Decedent, However Low	121
10. Class B Heirs	121
11. Class C Heirs	122
12. Polygamy and <i>Mut'a</i>	122
13. Lifetime Charitable Obligations	123
G. General Applicability Rules	125
1. Individuals Who Do Not Inherit by Right	125
2. Simultaneous Death Rules	127
3. <i>Munasakha</i> —When a Beneficiary Dies before Receiving His or Her Distribution	128
4. Chemical Dependencies and Other Addictions	128
5. Trustee Compensation	129

CHAPTER 6

Drafting Estate-Planning Documents 131

A. Drafting a Last Will and Testament	131
B. Drafting a Revocable Living Trust	132
1. Separate versus Joint Trusts	133
2. Identification of the Trust	134
3. Intent to Comply with Islamic Inheritance Law	134
4. Family Information	135
5. Use of “Beneficiary” and “Heir” Nomenclature	137
6. Disinheritance	137

7. Trust Protector Provisions	139
8. Incapacity Planning	141
9. Distribution Provisions	142
10. Tangible Personal Property	143
11. Estate-Tax Planning	143
12. Estate-Tax Apportionment	144
C. Distribution Options	145
1. Outright Distributions	145
2. Distribution at Ages or Based on Milestones	147
3. Continuing or Cascading Trusts	147
4. Multigenerational Dynasty Trusts	148
5. Testamentary Special-Needs Trust	149
6. Testamentary Power of Appointment	149
7. Testamentary Charitable Remainder Trusts	150
8. Testamentary Charitable Lead Trust	151
D. Planning Options for a Married Couple	153
1. Credit Shelter Trusts	154
2. Remarriage Protection While the Surviving Spouse Is the Trustee	156
3. QTIP Trusts	158
4. General Power of Appointment Trusts	159
5. Disclaimer Trusts	159
E. Common Trusts	160

CHAPTER 7

Planning for Individuals and Assets Abroad **161**

A. Who Is Subject to U.S. Tax Laws?	162
B. Defining Residency	163
C. U.S. Citizenship and Transfers to Noncitizen Spouses	164
D. Non-U.S.-Citizen Spouse	165
E. Annual Gift Exclusion	166
F. Interspousal Loans	167

G. Preimmigration Planning	168
H. Holding Foreign Assets	169
I. Domestic and Foreign Corporations	170
J. International Succession to Property	171

APPENDIX A

Detailed Order of Heirs under Sunni Inheritance Law	173
---	-----

APPENDIX B

Sample Advance Health Care Directive	183
--------------------------------------	-----

APPENDIX C

Sample Last Will and Testament	187
--------------------------------	-----

APPENDIX D

Sample Pour-Over Will	205
-----------------------	-----

APPENDIX E

Sample Individual Revocable Living Trust	215
--	-----

APPENDIX F

Sample Property Agreement	285
---------------------------	-----

Glossary	293
----------	-----

Index	297
-------	-----