Financial Freedom & Success Institute

BECOME YOUR OWN BANK

www.becomeyourownbank.com

by

Alex Barrón
2015

Become Your Own Bank

ACKNOWLEDGEMENTS

I would like to acknowledge and thank the many authors who were the source and inspiration for many of the ideas shared here. The purpose of this seminar and book is not to take credit for these ideas, but rather to share a very powerful and potentially life changing concept that was discovered and presented by R. Nelson Nash and that has been expanded upon by many great thinkers and authors. Our goal here is to give credit to whom credit is due and to encourage the seminar attendees and readers to purchase these books to more fully expand their knowledge and understanding of this powerful concept. The purpose of this seminar is simply to summarize these ideas and present them in the most logical and easy to understand manner possible so that the reader will understand why it is critical that they take the necessary steps to BECOME YOUR OWN BANK and thus take control of your financial life into your own hands and away from those who would keep you as their financial slave. It is time to take back the economic destiny of our nation and get ourselves on the path to financial freedom. With much gratitude to all the authors who contributed to my thinking and to my personal mentor Bill Lenderman, who has guided me in the process of BECOMING MY OWN BANK, I dedicate this compilation of ideas and thoughts which I hope will ignite a new revolution that will change the financial destiny of those who put into practice in their own lives.

Alex Barrón,
Financial Freedom & Success Institute
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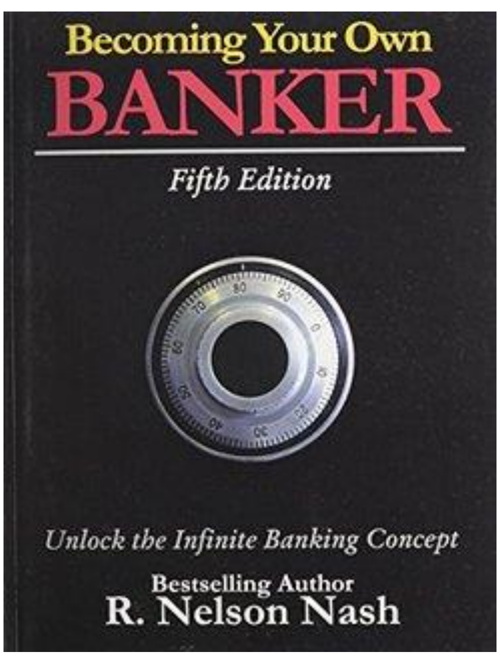
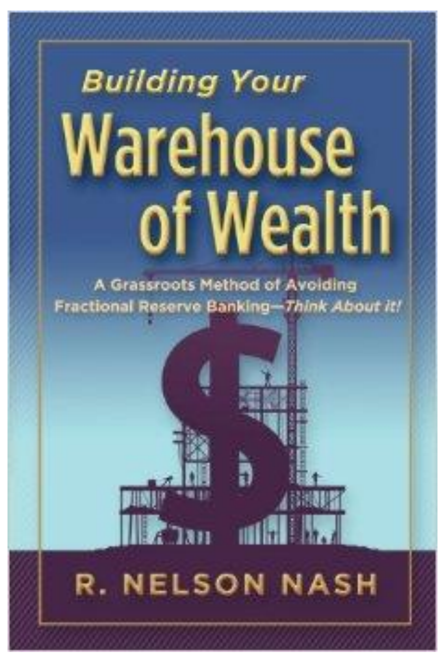
Sources and Suggested Reading:

The following books were the inspiration for this seminar and the source of many of the ideas here presented. We encourage you to support the authors by purchasing their books.





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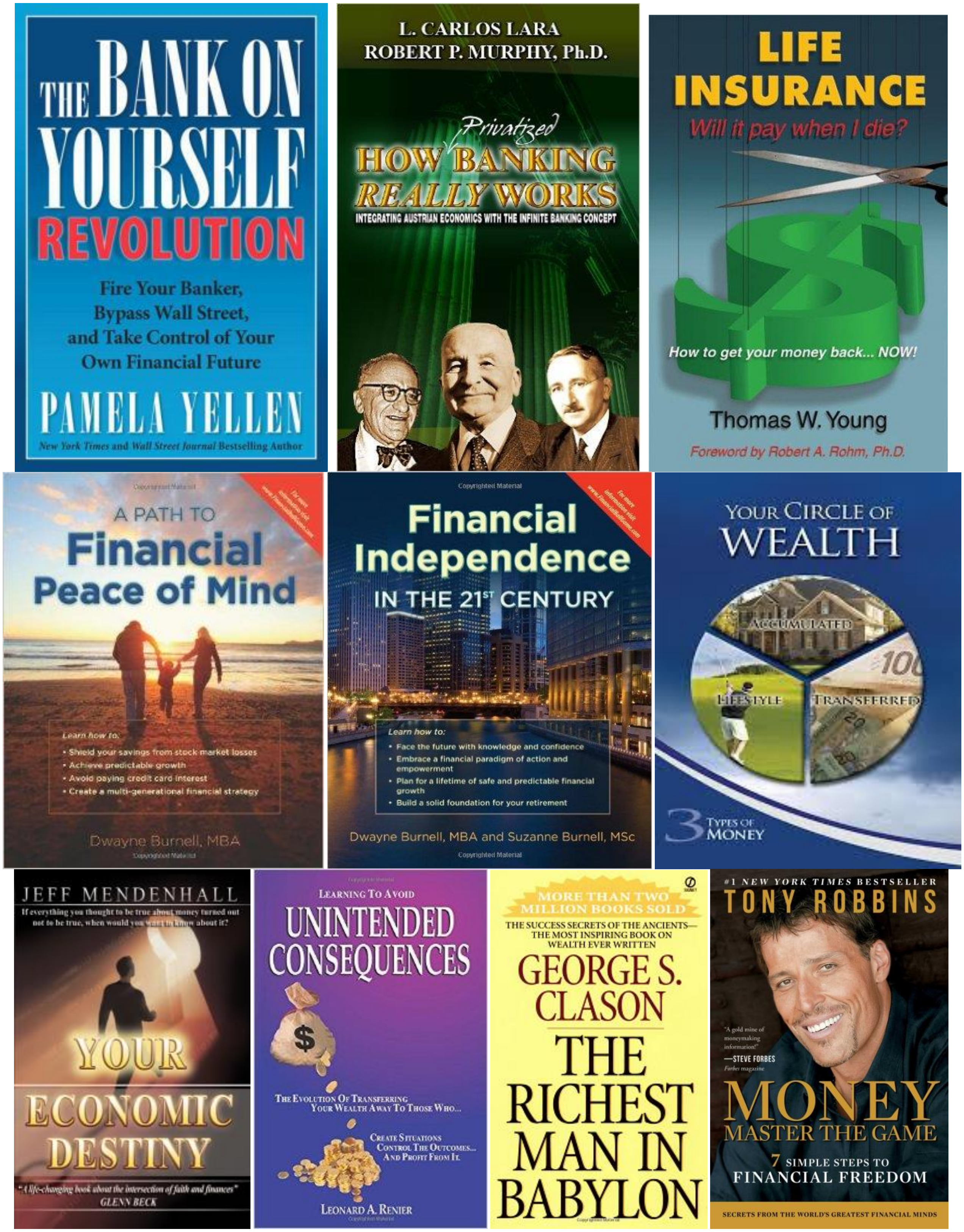

INTRODUCTION: WHATEVER HAPPENED TO THE AMERICAN DREAM?

> *"Wealth gained by dishonesty will be diminished, But he who gathers by labor will increase." – Proverbs 13:11*

> *"My people are destroyed for lack of knowledge" – Hosea 4:6*

The United States of America became the most powerful nation in the world because our founding fathers understood some key principles that enabled people from any background, social status or walk of life to achieve their dreams and goals if they observed these principles and worked hard. America became known as the Land of Opportunity, the Land of the Free and the Home of the Brave. People talked about "the American Dream" and "the American Way". America represented the highest ideals of mankind – freedom, equality, prosperity, abundance. Children were taught that they could be anything they wanted – astronaut, inventor, professional athlete, a successful entrepreneur, even President of the nation.

A 19th century French statesman, historian and social philosopher named Alexis de Tocqueville visited America in the 1830's seeking to discover the reason why America was so great and successful. He wrote his conclusions which included the following:

I sought for the key to the greatness and genius of America in her harbors...; in her fertile fields and boundless forests; in her rich mines and vast world commerce; in her public school system and institutions of learning. I sought for it in her democratic Congress and in her matchless Constitution.

Not until I went into the churches of America and heard her pulpits flame with righteousness did I understand the secret of her genius and power.

America is great because America is good, and if America ever ceases to be good, America will cease to be great.

The safeguard of morality is religion, and morality is the best security of law as well as the surest pledge of freedom.

The Americans combine the notions of Christianity and of liberty so intimately in their minds, that it is impossible to make them conceive the one without the other.

Peter J. Daniels has often remarked that "Good morals is good economics". He has also said that we need "a renaissance of values." I believe he is right. People used to do deals on a handshake and it used to be said that a man's word was his bond. Today many people are looking for ways to take advantage of others, look to litigation to get rich, and are quick to disavow anything that is not clearly written and signed in a contract. Something has gone terribly wrong.

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When we look at America today, we find that the American dream seems to be a distant memory for most people. Many people still dream of owning their own home, being successful in their careers, some day owning their own business, and being free to pursue what makes them happy. Yet more often than not, most Americans find themselves deeply in debt living the “rat race” of life. They seem to have most of what is supposed to make them feel successful – a college education, a home in the suburbs, a new car, a 401(k) or IRA, yet they are also stressed out because no matter how hard they work, they simply can’t seem to get ahead. Many live paycheck to paycheck and are only a layoff or serious illness away from losing everything. Very few have any savings or are prepared to enjoy a safe retirement. Medical premiums and the overall cost of living is going up year after year. Most would love to know how to get ahead in life, but simply don’t know how to do it or what they are doing wrong. After all they have done what everyone told them they should do – study hard, get good grades, go to the best university, get the best job, buy the best things, and live happily ever after.

Many hard working Americans who listened to the “financial gurus” and commonly accepted “financial wisdom” have been investing in the market for years. And yet most saw their investment gains in the late 1990’s disappear in the early 2000’s as the stock market imploded. Many then switched to invest in real estate hoping to make a quick buck flipping homes or took out the equity in their home thru a refinance. In the end over 10 million households lost their home during the great housing and banking crisis in the mid to late 2000’s. Now in the mid 2010’s the plunge in the oil market is once again threatening to cause many Americans to lose their job.

Meanwhile, other Americans have given up on the American dream and are now dependent on the government for their sustenance. Over 50 million people (1 in 6) depend on food stamps. Over 10 million are still unemployed or underemployed despite an official 5% unemployment rate. Millions of people have lost hope and are afraid of what is to come.

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So what is missing in America today? We believe most Americans today lack the proper financial education to escape the rat race. The foundations on which this country was founded – personal responsibility, ethical and moral character, hard work, savings, and risk taking are no longer taught and encouraged. Instead many people have been conditioned to think that the government is the answer to all of their problems – especially financial ones. No one seems too worried about the fiscal deficits, the national debt, the onerous tax rates, the cost of social programs, or how we will pay for everything. Entrepreneurship and financial success are now looked upon as almost being a dirty word as if it were something to be ashamed of, or as if the wealth amassed by those who worked hard, risked and made it was ill-gotten. We believe it's time to rediscover the principles that made us a great nation! And it's time to take back control of our financial future and destiny into our own hands before it's too late.

WHY BECOME YOUR OWN BANK?

We deal with a lot of these subjects in our Financial Freedom Seminar – particularly how and why we need to pay ourselves first and become debt free. The purpose of this seminar is to share a little known secret strategy with people that could enable them to set themselves up for success as well as their future generations. It is a strategy we call BECOME YOUR OWN BANK. It is not a get rich quick scheme. Quite the opposite. It requires understanding of the current situation, the future outlook, a long-term perspective, hard work, discipline, and diligence, but it is well worth the effort if one has the vision to see how such a strategy can be of benefit and can work to help one escape the rat race and can enable one to take control of one's financial future. We hope you will consider what we have to share here and if you find it useful, will take the next step to find out more about whether this is the right thing for you and your loved ones.

WHAT DO YOU WANT OUT OF LIFE?

Did you know that only 5% of the world's population know what they want out of life and have a strategy to achieve it? Sadly, the other 95% have never spent much time thinking about what it is they want out of life and end up simply "floating on the ocean of life" being tossed to and fro by every current of life doing what everyone else is doing. Napoleon Hill calls these people "drifters". Bob Proctor says that "most people tiptoe their way thru life hoping to make it safely to death." We only get one chance to live, so why not make it a good one? – the best ever!

The reality is that most people do not know how to do it. They would like to enjoy the good things of life, but no one has ever taught them how to do it. That is why we created the Financial Freedom 101 Seminar! Our goal is to help people educate themselves on how money works and on how to make money work for them instead of having to work all their life for money.

The Statistics tell us that out of every 100 people who today are 25, by the time they reach 65

- 1 will be wealthy
- 4 will be financially independent
- 5 will still be working
- 29 will be dead

- 61 will be dead broke - in debt most of their life and dependent on others in their old age – government, children, or charity for most of their life.

Our goal is to make sure that you will be in the top 5% and ideally in the top 1%. It is not easy, but then again nothing in life worth having really is. Yet at the same time it is not as hard as many people imagine. All it takes is a burning desire to achieve Financial Freedom and the motivation required to spend time and study learning how to do it. Yet it all begins by know WHAT it is that you want out of life. THAT is the key question you must answer. If you haven't done so yet, take a few minutes now and think about and write down the answer to the question:

WHAT DO YOU WANT MOST OUT OF LIFE?

After that think about the second most important question:

WHY DO YOU WANT IT?

Once you know WHAT you want out of life, and have a strong enough WHY, then the answers to the rest of the questions – HOW, WHEN, WHERE, HOW MUCH, etc. will become easier to answer and in some cases are much less relevant than knowing the answer to the first two. Imagine for example that you wanted to go on a vacation. Don't you think it would be important before trying to figure out how to get there to decide where you wanted to go in the first place? If you don't know what you are aiming at, how can you make plans to get there? This is why so many people that enroll in expensive seminars that tell them HOW to invest usually end up financially worse off than before they started. The problem is they never took the time to analyze WHAT they wanted and WHY they wanted it. We need to live a purpose driven life in order to focus our time, energies, money and resources into what will get us what we want out of life.

WHERE DOES ALL THE MONEY GO?

Did you realize that over your working life, you will earn at least $1-2 Million? But where does all your money go?

Most people don't realize that over a 40-year working career, even if a husband and wife both made minimum wage, say $7.50/hour, their household would earn over $1 million over their life.

40 hours x $7.50/hr = $300/week
$300/week x 50 weeks/yr = $15,000/yr per person
2 people/ household x $15,000/yr per person = $30,000/yr per household
$30,000/yr x 40 years = $1.2 Million!

If you have taken our Financial Freedom Seminar we go into more detail on these subjects, but in a nutshell, the vast majority of people make a lot of money, yet they never know where it goes. Every week the money is gone. They live paycheck to paycheck. Most people will spend their whole life working for others – just to make a living. Most of the money they earn they will soon be gone to pay

- Government – Taxes. This money is gone before you even see it!
- Banks – Interest. Every time you borrow you pay interest until the loans are paid off.
- Insurance Companies – Premiums. Most people have to pay health insurance, car insurance, home or renter's insurance, life insurance, etc.
- Merchants – Consumption. Everyone has to eat, pay utilities, buy clothes, pay for a car, gas and maintenance, etc.

In short, people work for everyone, but themselves. When it's all said and done, all of their money is gone and along with it their life and their strength. By the time they are old and ready to "retire" they have not set any significant money aside that is working for them for this purpose. So they have no choice but to keep working until one day they drop dead of exhaustion, old age, or some terminal disease. Sadly for a lot of people the American Dream and the thought of "retiring" is simply a mirage in the desert that will never become a reality. Very few people have any money left for saving or investing towards retirement. Why? Because they have never learned how to break out of this "rat race" of life. No one ever showed them how to stop working for others and instead start working for themselves, and better yet make money work for them so they don't always have to work for money!

THE PROBLEM: BAD PROGRAMMING!

If you have ever taken the Financial Freedom Seminar we teach, you are familiar with the concept typically referred to as the "rat race". This basically means that the majority of people go thru life doing what they were told they needed to do to be successful, which basically means doing what everyone else around them does. The script goes something like this: Go to school, get good grades, graduate, get a safe, secure job, consume, and then borrow to consume some more, eventually ending up with a large amount of debt. Repeat. Someone once said, "we buy things we don't need, with money we don't have, to impress people we don't like".

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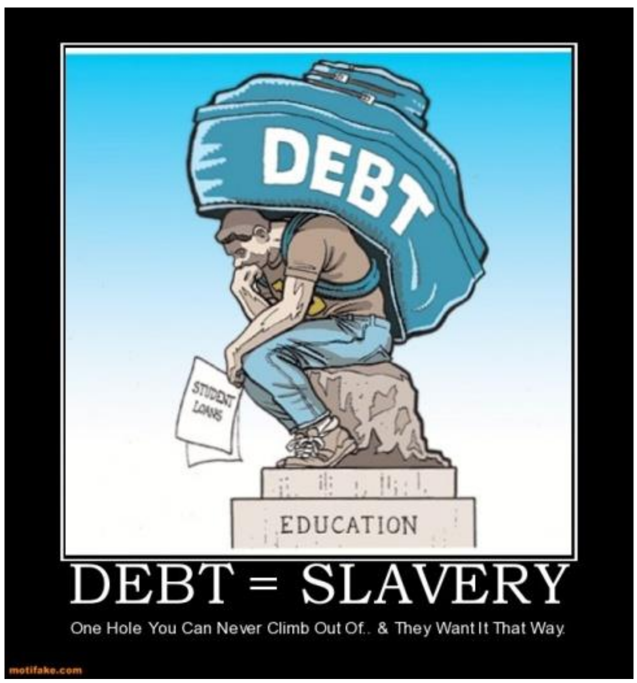
Have you ever considered the possibility that perhaps we have been “programmed” from a young age to become “Financial Slaves” of the System? Think about it.

- **PROGRAMMED TO BE A STUDENT**: When we were young our parents who probably meant well gave us the script and put it in our head. They said, “Go to school, study hard, get good grades, so you can get into a good university”. They taught us to become Students. Students are told that without a college education they will not succeed in life, so they try to get into the “best universities” regardless of the amount of student loans they must take on. But in order to study at a “good university” most students feel the need to “go away” from their local less expensive university thinking they will acquire some special knowledge or magical skills or will meet a great social network that will help them get connected when it’s time to find a job. Inadvertently people are programmed to get into Debt by acquiring Student Loans. This is where the Financial Slavery begins. Young people can easily spend $10,000-$50,000 per year on tuition, room and board. Over 4-5 years this can easily translate into $40,000-$250,000 of student loans or more. That is without going to graduate school.



- **PROGRAMMED TO BE AN EMPLOYEE**: Since the young graduate is in student debt, it makes sense to go work for someone else to get experience and to make money to pay down the debt. After we graduate, most people look for… a Job! A safe, secure, “high paying” job, with great benefits, and an ability to go up the corporate ladder over time. Someone once joked that JOB stands for Just Over Broke. People are programmed to become someone’s Employee! People work hard to make their employer rich. They sell their time, knowledge or physical work in exchange for money in the form of wages, salaries, bonuses, or commissions. Unfortunately there is a limit to how much one can earn as an employee. This is limited typically by the amount of hours one can put into the job. Unfortunately, most people never consider the possibility that instead of being an employee, they should be thinking of becoming an entrepreneur, an inventor, a small business owner, or an investor.

- **PROGRAMMED TO BE A TAXPAYER**: Once you become an employee you immediately sign up to become a Taxpayer! Uncle Sam is more than happy to welcome you into the workforce! Since 1913, the US has charged employees and employers an Income Tax. Remarkably, most people don't realize that for the first 124 years of this nation's existence, the Income Tax did not exist and the country survived just fine. Since 1913, however, employees have become "financial slaves" of the Government, and employers become tax collectors where neither has a say in the matter. Anyone who decides to avoid paying their "fair share" of income taxes will be subject to fines and jail time. When people get their first job, they don't realize the tax code is a progressive tax code. This means that the more they make, the higher their tax rate. So inadvertently people are programmed to work for Uncle Sam and they have no choice! And naturally, Uncle Sam does not ask you to send in a check to pay for your income taxes. They are taken by your employer before you ever see your paycheck in your bank account.

PROGRAMMED TO BE A CONSUMER: Once a person has a Job, the first thing people want to do with their money is spend it to BUY THINGS! Who doesn't want to buy things once they get a job? After all – that is what money is for, right?! So we see that are programmed to become Consumers. Merchants spend millions of dollars in advertisement and marketing to get us to want to buy what they have to sell. And naturally people want everything their eyes see – new clothes, new smart phone, eat out, entertainment, etc. Typically one the first big ticket items a new graduate with a new job does is to buy… a New Car! Of course! After all "I deserve it!" and the monthly payments are really low… plus they offer 0% interest financing! So they get a Car Loan.

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PROGRAMMED TO BE A BORROWER: After people start to Consume, they quickly realize that what they make is not enough buy all the things they want. Since the money coming in each week is not enough, it is easy to get into debt via Credit Cards. After all the offer in the mail says you are "Pre-Approved" and the credit cards come with a "low introductory interest rate" for the next 12 months! So why not take advantage? And they do! So they go ahead and get themselves further into debt in order to buy everything they want – food, clothes, entertainment, etc. After a few years of working and paying bills, the young graduate will eventually meet the love of their life and marry them. Perhaps they will rent initially, but eventually they will very likely decide to buy a house – with a Mortgage. Once they get the home, they buy new furniture – with Store Credit. Once again here we see that people are programmed to become a Consumer and at the same time a "financial slave" of the Banks. Of course no one puts it that way, but it's the truth.

Most people never stop to think how easy it is to get into debt and how difficult it is to get out. The reason it is hard to get out is because most of the money that you pay each month is going to pay interest, which is the profit banks and financial institutions make off you for lending you money, and it is not going to pay down principal. So essentially the balance of the debt never goes down much. Most people never realize that when you take out a traditional 30-year mortgage on a home, in the first 15 years, between 80-99% of each payment is going to pay interest and only the difference is going down to pay down the loan. This is why when people don't pay off their debts quickly, they become in essence "financial slaves" of the banks and banks love it! Just like vampires they like to "suck the life out of you" – Thru Interest.

So here we see the typical debt progression in most people's lives.

- A higher education – Student Loan
- New car – Car Loan
- Clothes, Food, Entertainment, Wedding, Honeymoon – Credit Cards
- New home - Mortgage
- Furniture – Store Credit

No wonder most people never become Financially Free! They never asked themselves how to change this pattern. They were content to go thru life "drifting" – floating any which way the oceans of life called circumstances decide to take them. "Go with the flow" they say. Well it's easy to do this. After all “everyone else is doing it too”. They don’t stop to realize that we have been conditioned; we have been programmed since we were children to get into debt. So this is how we spend the rest of our lives selling our time working to make Corporations rich so they can pay us money with which to pay the Government taxes. Then from what’s left over we pay interest to the Banks who lent us to consume from Merchants who sell us things on credit that we don’t really need.

Look at the following two examples.

EXAMPLE: A NEW CAR!

How much money do you expect to spend on cars for your entire life?

Say you buy a $20,000 car every 5 years over a 50 year lifespan. If you pay say 10%
With interest that becomes a $25,500 car.
So in 50 years, buying a car every 5 years, you would buy 10 cars over a lifetime.
So $25,500 x 10 = $255,000 of cash flow out the door.

So that is $200,000 of principal payments plus $55,000 of interest gone forever. This is after tax!

What if you could recapture much of this money? Would you consider it a worthwhile investment of your time to learn how? If I could show you how you can BECOME YOUR OWN BANK so that you can finance all of your purchases and get to keep the interest that the bank would have earned over the rest of your life, and also recoup the principal would that interest you?

If you stick with me, I will show you how you can do that, and how you can use this money to eventually retire on, safely, comfortably, without the ups and downs of the stock market, and at the same time save taxes and leave your family well protected should something happen to you.

EXAMPLE: A NEW HOME!

Most people who buy their first home these days typically do not have 20% to put down as in the old days. Conventional loans only require a 5% down payment. FHA loans require 3.5%. And some special loans such as USDA and VA don’t require any down payment! That’s right – in “rural” areas and for veterans there are 0% down loans. Many counties also provide “first time buyer assistance” programs where they lend first time buyers the down payment so they can “afford” to buy their first home.

Today the average price of a new home is at least $350,000 and in some parts of the country up to $800,000+ for an entry-level first time buyer home.

For arguments sake, let’s use the $350,000 example with 0% down. And to be very generous we will use a 4.0% fixed interest rate on a 30-year loan. On such a loan the monthly payment which includes only principal and interest would be $1,671/month. On top of this our couple would need to pay property taxes, insurance, HOA dues, and PMI (private mortgage insurance) which is generally required when the Loan-To-Value ratio on the home is less than 80%. In the case of an FHA loan the PMI is now permanent. But staying with simply the basic mortgage payment, in the example cited, 69% of the payments made the first year will be going to pay interest and only 31% will go towards paying down the loan. In other words, in the first year, our new homeowners will pay $20,050 in monthly payments of which only $6,164 will go towards bringing down the loan amount. So by the end of year one they have cut down their mortgage from $350,000 to $343,836. Now we understand why it takes 30 years to pay a home off! The vast majority of the money is going to pay banks interest to make them rich! And to make things worse, each time people refinance to lower their interest rate or they sell their home to buy another one, they start all over gain from scratch. And on top of that they need to pay broker commissions, closing costs, title fees, origination fees, etc. We work really hard to make others rich with our money.

PROGRAMMED TO “BUY TERM AND INVEST THE DIFFERENCE”: Some people who listen to tv financial gurus, meet with life insurance people, or get a financial advisor will receive the advice that if they buy life insurance, they should “always buy term and invest the difference” in mutual funds. Once they hear the same thing often enough, they assume it’s the truth. Once again people are “programmed” to become the Insurance companies’ “financial slaves”.

PROGRAMMED TO BE A “BUY & HOLD” INVESTOR: Once people start to work, despite all the debt they are carrying, they are encouraged to save some pre-tax money from their paycheck and put it away for retirement. This is typically done via an IRA or 401(k). The money is invested in mutual funds which are managed by “professional” money managers. People are encouraged to “buy and hold” and “dollar cost average”. No one ever tells them exactly how much in fees they will pay over their lifetime. The only thing that matters is that they “invest for the long term” and presumably things will work themselves out. People work hard hoping “some day” to retire and enjoy the good life. Those who do put away some of their hard earned money in retirement vehicles like a 401(k) or an IRA hope that the people who are managing their money will make it multiply. Yet they fail to realize that no one is willing to guarantee what that money will be worth when they retire. Yet those financial entities charge annual fees regardless of their performance. Meanwhile that money is out of reach for everyday use, subject to penalties and taxes if we ever needed to take out part of it. This requires that people continue to borrow for every day necessities such as a car or a home. Sadly the interest paid while people are in debt often exceeds what a 401(k) could possibly gain. Most people don’t realize that saving interest by becoming debt free is risk and tax free. Since “everybody” does the same thing, most people assume this is the only way to do it. People are “programmed” to become “financial slaves” of the Financial Institutions.

WHAT IS THE COST OF BEING A FINANCIAL SLAVE?

Have you ever stopped to consider just exactly how much money goes out of your pocket in Taxes, Purchases, Consumption, Premiums, Interest, Fees and Lost Opportunity Cost?? Throughout your whole life?? We work hard to hand over our money to our slave masters – the Universities, the Corporations, the Government, the Banks, the Merchants, the Insurance Companies, and the Financial Institutions, which in essence suck the life out of most people! At the end of the day people work for everyone else but themselves. Most people never even stop to think about it. They just go to work day after day, month after month, year after year making others rich, yet never having much to show for their hard work.

Why? Because no one taught them another way. Most people are destined to simply spend the rest of their life running around and around the rat race not getting ahead. They have been programmed to become a Student, an Employee, a Taxpayer, a Consumer, a Borrower, Insured for a Term, and a “Long-Term Investor” - ultimately becoming a “financial slave” for the rest of their life to make someone else RICH! All because they never stopped to think about it. Do you really think the universities, corporations, politicians, merchants, banks, insurance companies and financial institutions really deserve to keep all of your money to make themselves rich at your expense? I don’t!

But is it possible there is a better way? A safer more effective way to “have your cake and eat it too?” An alternative to the script we have been given since we were young that could allow us to escape the rat race much sooner while at the same time building a safe, secure storehouse for our wealth that could guarantee we will reach financial freedom before we retire? I believe so.

If you would like to learn how to exit this old paradigm that we were programmed with of being a financial slave, and reprogram yourself for success and prosperity keep reading. Help is on the way!

In this seminar we will focus on a little known strategy taught by Nelson Nash he calls The Infinite Banking Concept. This seminar will show you how it works and why it is in your best interest to BECOME YOUR OWN BANK as soon as possible.

A NOTE ON CAPITALISM VS. SOCIALISM

When the United States was founded, the states had a lot of power and the Federal government was limited only to the powers vested in it by the Constitution. The money was gold and silver. The founding fathers were skeptical of central banks and paper currency because they had seen the dangers of these institutions in Europe. The foundation of this country was individual liberty, personal responsibility, and limited government. The American spirit was largely characterized by pioneers heading west in search of fame and fortune, in search of gold. The American values were rugged individualism, entrepreneurship, faith in God, and self-reliance. There was no income tax, no social security, no government welfare, or any of the modern institutions that we all think are essential today.

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As time went by the Federal government began to grow and became more powerful, particularly after the Civil war. By the early 20th century, some lawmakers began to push the government away from a purely capitalistic society towards socialism which is characterized by centralized government – centralized planning – a command and control structure. Eventually in 1913 two major changes happened – the government began collecting Income Taxes and the Federal Reserve, the nation's central bank, was created and entrusted with creating the nation's currency and regulating all banks.

> *"Before the Income Tax Law our country had surpluses in the national budget and the world got along very well. But after its adoption the American public now noted that it could "vote itself a benefit through its Representatives in Washington – and send the bill to everyone else."*
>
> *– Becoming Your Own Banker – R. Nelson Nash*

After the 1929 stock market crash and the Great Depression which followed, the government began to regulate the economy more as many banks and financial institutions failed. In 1934, the government confiscated gold and began to only use paper money. Social programs like Social Security and unemployment insurance came into being in 1935. In 1964, the government launched the War on Poverty and created the Food Stamp Act. In 1965, the Social Security Act created Medicare and Medicaid. By 1971, the government cut off the link between gold and the US dollar. And so step by step, the government began to control and regulate the economy, moving us away from capitalism towards socialism.

Why does this matter? It matters because Socialism is a proven failure everywhere it has been tried. The most spectacular failure was the Soviet Union, which collapsed and failed in 1989.

> *"The Soviet Union was doomed to failure from the start because it was operating from a faulty premise that government knows how to order the lives of people better than do the people themselves."*
>
> *No matter how much they try to disguise it with euphemisms, Socialism does not work and never will. Avoid all such programs like the plague. You will be glad you did."*
>
> *– Becoming Your Own Banker – R. Nelson Nash*

It is sad to contemplate how far this nation has strayed away from its roots and the ideals that the founding fathers had in mind, all in the name of "compassion" and supposedly caring for the poor and less fortunate in society. The real end game is government control of the people and the end of personal liberty.

Think of all the government agencies which now exist which were never contemplated when the United States was created in 1789 – The Department of Education, the IRS, the EPA, Homeland Security, VA Administration, plus all the agencies that manage the social programs we just discussed. The Federal Reserve regulates banks and other financial institutions. Between social programs, government agencies, the interest on the national debt, and defense spending, we are spending twice as much as the government collects on income taxes resulting in massive deficit spending and thus borrowing to stay afloat, driving up the national debt at a rate of about 2x every 8 years. We are well on the way to bankruptcy unless some major changes happen soon!

> *"The lawmakers create a problem by spending money that they do not have which results in strangling taxation."*
>
> *– Becoming Your Own Banker – R. Nelson Nash*

The reason we bring all this up is because it seems very foolish to assume that if nothing changes Social Security and other government pension programs will be around in the next 10-20 years. Social Security is like a Ponzi scheme – where a few put in money today, expecting to take money out in the future. This scheme can only continue for so long. At some point when there are more taking out than those putting in the system will suddenly collapse. Those who put money in at the end will eventually never see a dime of their money back.

> *"Social Security is a fraud – the world's largest con-game!"*
>
> *– Becoming Your Own Banker – R. Nelson Nash*

WHAT IS THE SOLUTION?

Now that we understand the problem we face, we must ask, "What is the solution?" To find the answer, I believe we have to go back to our Foundations. I believe the answer is as Peter Daniels says, "we need a renaissance of values".

- We need to Analyze and Understand the current financial situation our country is in and heading towards.
- We need a Focus on Financial Education and Personal Development.
- We need to Question the Beliefs, Assumptions, and Paradigms that we have taken for granted.
- We need to Unlearn the Old Programming which has been drilled into us since we were children.
- We need to Understand the importance of Getting Out of Debt – Exiting the rat race once and for all.
- We need to Assume Personal Responsibility for our own financial wellbeing and destiny.
- We need to Take Control of our own Financial Future.
- We need to Choose Freedom and Capitalism and Reject Slavery and Statism/Socialism.
- We need to Practice Honest Personal Banking and Cut Out Commercial Banks out of our life.
- We need to Hold Reserves via Precious Metals, Cash, and also build up Personal and Spiritual reserves.
- We need to Focus on Getting Out of the System by refusing to participate in their game so we can avoid the next banking crisis.
- We need to Protect Ourselves via trusts and whole life insurance which protect assets from financial predators.
- We need to Become informed and Vote for politicians that understand the problem and the solution.

Become Your Own Bank

Many of these solutions may not make complete sense at this stage. But as you spend more time thinking about them and learning about the situation we are in, they will make more and more sense.

> *"Unlearning" is more difficult than learning.*
>
> *"We have a lot of people in America with degrees – but not many of them are educated."*
> *– Becoming Your Own Banker – R. Nelson Nash*

Some would claim that America's best days are behind it. If we do nothing and things stay on their current course, it seems inevitable, sooner or later the system will crash on its own weight. I choose to believe that if we start to make immediate changes, we can change the course of our nation's financial destiny. But it will require mass changes in our mentality and in our personal financial condition.

I believe there is Hope. But our collective Future depends on all of us working to preserve our Heritage, our Liberty, and our Way of Life which our founding fathers and those who have fought for our liberties have given up their life to protect and defend and hand to us to in turn hand to future generations. We owe it to them to take heed and make the necessary changes to survive what may be ahead.

CHAPTER 1: TWO INEVITABLE RISKS

There are two things in life that are certain.

1.) The first is that we will grow old.
2.) The second is that we will eventually die.

The question is what are you doing to prepare yourself for both of these future outcomes?

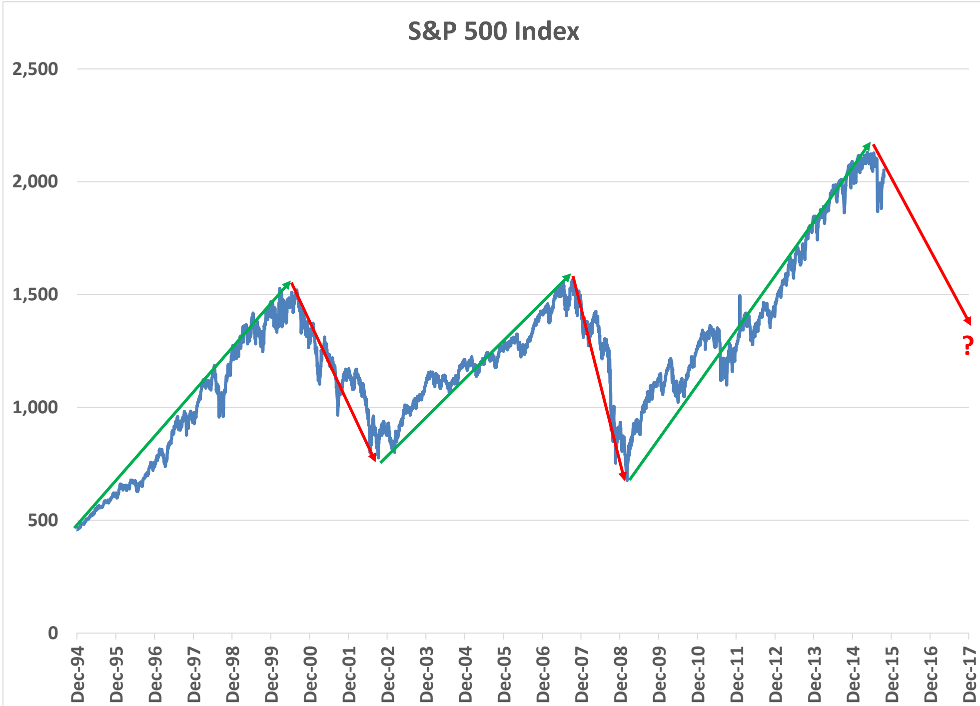
Let me ask you an important question.

WHEN YOU REACH RETIREMENT AGE, HOW WILL YOU SURVIVE? DO YOU HAVE A RETIREMENT PLAN? DO YOU HAVE A STRATEGY? WHAT IS IT?

- HOPE?
- PRAYER?
- YOUR CHILDREN WILL TAKE CARE OF YOU?
- SOCIAL SECURITY?
- GOVERNMENT HAND OUT?
- COMPANY PENSION PLANS?
- SELF-FUNDED RETIREMENT ACCOUNTS – IRA, 401(K), ETC.?

Make sure this is NOT your retirement plan.

Most people have never really spent time to think about it. They will "worry about it when I get there". For those who do think about it, their "financial strategy" goes something like this: Participate in their company's 401(k) plan, put away pretax dollars in their IRA, and invest in mutual funds based on Morningstar's 5-star index. Yet in the last two decades we have seen the rise and demise of the stock market bubble in the late 1990's and the housing bubble in the mid 2000's. Now we are seeing the demise of the oil bubble of the 2010's.



The S&P500 has had many ups and downs over the last 20 years. Do you know what your retirement plan will be worth when you need the money?

"Any financial plan based on a hoped-for return in the stock market is not a plan, it's a wish."
– Financial Independence in the 21st Century – Dwayne Burnell

<u>Investments in the Stock Market & Mutual Funds</u>

Most traditional plans offer no guarantees of what returns you will receive in the stock market. Investors are encouraged to "invest long-term", "dollar cost average", "leave your money to professionals", etc. yet each year these mutual funds and professionals charge annual management fees, maintenance fees, and marketing fees which make THEM rich, regardless of whether YOU make money or not. It may not seem like much to pay 1% or 2% here or there each year, but over time it can add up to huge amounts of money which is working against you, not for you. And in the end, regardless of the promises made by "tv financial gurus" that you can earn 10% or 12% per year, no mutual fund will ever offer you security of principal or a guaranteed return on your money.

"A 2% annual fee will cost you 43% of your future value in 25 years."
- Life Insurance – Will It Pay When I Die? - By Thomas W. Young

Tony Robbins in his excellent book Master Your Money does a great job of making this clear and explaining in detail why traditional mutual funds may not be in in your financial best interest. Besides the fact that most actively managed mutual funds do not beat a passively managed index fund, the fees that you pay will eat up much of your return. One of the main problems we see is that most of the "professional money managers" are employees, not entrepreneurs or business owners, and invest by taking huge risks speculating and gambling with your money which pay off for them if they are right, but cost you if they are wrong. Many of the people analyzing stocks and making investment decisions at mutual funds are young college graduates in their early and mid 20’s and 30’s. They don’t dollar-cost average, and don’t have a long-term perspective as they ask their investors to do. It’s a classic case of “Do as I Say, Not as I Do.” How do I know? I’ve been there seeing how the “experts” do it for the last 15 years.

Investors agree that investing in constantly profitable, dividend paying businesses providing foundational services do best in the long run. Insurance companies have been consistently profitable and some have paid dividends for as much as 165 years. Yet many money managers today love to speculate on momentum stocks which have rapidly growing revenues, but often do not make much money, trade at ridiculously high P/E’s, and generally don’t pay any dividends. Investing in companies such as Ford Motor Company which has paid dividends for over 75 years, the longest record of any company in America, is generally considered “boring” or not “sexy”.

Banks

Most people who don’t feel safe putting their money in the stock market, often choose to put it in a bank in the form of CD’s, money market, or savings accounts, earning a ridiculously low interest rate. Yet as we will see a bit later, banks may be one of the LEAST safe places to put your money. We have seen in recent years what can happen if the banks mismanage their businesses by making risky loans – they eventually fail and are in need of a bail-out. Since the 2008 financial crisis, we have seen over 515 banks fail in the United States alone! Banking crises are the new norm. The governments are so worried about the long-term prospects of banks that they have now come up with a new strategy called Bail-In. This means that when a bank fails, they will confiscate depositors’ savings to recapitalize the bank. This was already tried in Cyprus in 2011. Bail-in was legalized in the US, Canada and the European Union in 2013. It was passed in 47 other countries in 2014 and 3 more in 2015. They are now talking about doing it in Greece. Most people don’t realize it, but under the new Bail-In laws, their deposits are considered “loans” they made to the bank! Imagine that! If the bank’s loans go sour, they will take your money to allow your bank to survive! And you thought your money was safe???! Not anymore – it’s time to wake up to the new reality.

Real Estate

Other people try to secure a financial future by investing in real estate – owning rental properties such as houses or apartments. Some pay $10,000+ for seminars that will teach them how to flip homes. Often time they end up in debt and without capital to invest. Real estate is wonderful to own as long as property values are going up. However, once they stop going up and start to go down, it can be brutal to own real estate. The properties typically carry leverage which can kill you if sales or occupancies go down and you can’t meet cash flow demands or cannot refinance the debt when it comes due.

Your Own Business

Still others try opening their own small business. They sign a 5-year lease and take out loans to fix up the space they leased. Yet 25% of new start up businesses fail in their first year and 50% will not make it to their 5th year. Those who do make it often times end up a slave of the landlord, working hard just to make payroll and the rent payments. This is anything but the financial freedom they dreamed about.

This is a lot to think about and take in. So what are we to do? Don't despair just yet. We will show you shortly how you can take control of your finances and ensure that you enjoy a safe and enjoyable retirement with the money you already make and spend on everyday things by learning how to BECOME YOUR OWN BANK!

WARNING! "INVESTING" MAY BE DANGEROUS TO YOUR FINANCIAL HEALTH
Earlier we asked if you had a strategy or a plan for retirement. Many people would answer, "Yes!" I invest in mutual funds through my IRA or 401k. Many of them would be quick to point out that their employer matches what they put in up to 3%, so why not take up this offer of "free" money? Others would say that they are investing pre-tax so they get a tax deduction. Yet most people have never stopped to think that the money they work hard to put in may not be enough when they finally reach retirement age. There is not a single mutual fund company or manager that will guarantee the safety of your principal or can guarantee what performance the money will have by the time you reach retirement age. Their advice is, "Buy and hold", "Invest long-term", "Dollar cost average". Some tv financial gurus argue that over the long-term the market always goes up 10 or 12% per year. But is this all true? And if so, given there are over 7,000 mutual funds to pick from, which one do you pick? Should you go off the Morningstar record based on how many stars they received for past performance? Maybe there is a reason that all mutual funds are required to issue a disclaimer that says, "Past performance is no guarantee of future results."

And investing in a government sponsored tax deferred program like an IRA or 401k comes with special rules. For example, you cannot withdraw the money before the age of 59 or you will incur a 10% penalty. You must start to take distributions by the age of 71 or you will face a penalty. And of course you cannot avoid paying taxes. By investing with pre-tax dollars you do not avoid taxes. You simply defer the day that you pay them. But if you had a gain, you will pay a lot more later than you would have at the beginning. And the portion that you would have paid in taxes goes up. There must be a better way! And fortunately there is! We will show you the answer soon. But before we do let's discuss another important topic.

RESPONSIBILITY FOR OUR RETIREMENT INCOME
Who is responsible for your well-being when you grow old? Who is supposed to take care of you financially when you can't work anymore? Who is supposed to worry about whether there will be enough money for you to live a comfortable retirement? Most people never stop to consciously think about that. Instead they subconsciously leave that responsibility up to "someone else". That someone else could be their spouse, children, family, the government, or their financial advisor. Most people's financial strategy boils down to a few concepts –

1.) "Hope" that somehow everything will turn out alright.

> *"The fundamental concepts of hope, transfer of responsibility, and entitlement. Since the inception of the 401(k) and various other qualified plans, we have all been encouraged to believe and hope that investment income from these plans will support us throughout our retirement."*
>
> *– Financial Independence in the 21st Century – Dwayne Burnell*

"People hope 401 (k) the stock market will go up, not down, at the right time for your needs."
– A Path to Financial Peace of Mind – Dwayne Burnell

2.) "Transfer of Responsibility" – to others for their financial well-being.

"We are hoping to build a secure financial foundation on money that is at risk in the stock market. When we transfer control and responsibility for our future to others, we place our well-being outside of our own control."
– Financial Independence in the 21st Century – Dwayne Burnell

3.) "Entitlement" that somehow they "deserve" to be taken care of by "the system". That just because they paid some money into social security and medicare over their working years, all of a sudden, those institutions should take care of them in their old age regardless of how long they live, regardless of the costs, and regardless of the fact that what they put in is nowhere close to what they hope to get out of it. It goes back to the old concept that people love to believe in – "getting something for nothing". That just never works in real life!

"We are the only ones who can truly act in our best interest. Our prevailing late 20th century thinking is that we are entitled to enjoy a secure and enjoyable retirement provided by our companies, government, and financial markets. We hope that our qualified plan income, supplemented by our Social Security income, will be enough to live well on.
– Financial Independence in the 21st Century – Dwayne Burnell

"To further compound the problem, there is this prevailing tendency in the current crop of Americans to look to government solutions to what they think is a problem that is outside themselves. "I don't have any money to buy a home, go to college, buy food, endure an emergency, care for my health, maintain the lifestyle I desire, etc. so there should be some sort of government program to provide these things for me. I have a right to them."
–Becoming Your Own Banker – R. Nelson Nash

If we are going to change the financial outcome of our life, the first step we need to take is to assume complete responsibility for our own lives. We need to realize no one else is coming or supposed to come to the rescue. The best hand that will help us is the one at the end of our own arm. It's time to wake up and take personal responsibility for our own well being and to secure the financial future of ourselves and our family.

LACK OF CONTROL, STOCK MARKET, 401(k), IRA, MUTUAL FUNDS
Although in concept it feels good to believe that when you send your money away to some mutual fund, IRA, or 401(k) that some "professional money manager" will take care of it, the reality is that none of these "experts" will guarantee you what the end result will be when you finally get to retirement age and will need to live off your money. Over a long-time stock markets tend to go up, but there are also long periods of time where they go down for years. So there is no assurance that when you need your money most it will necessarily be where you need it to be or that it will in fact go up!

For example for people who invested money in the stock market in 2000 had to wait until 2015 before that investment broke even. If they need that money in 15 or 30 years from now, there is no assurance it won't go down 50% from here before it goes back up 100% to break-even again. The majority of investors don't realize that although money managers hope their investments go up in value, the reality is that they care more about making their management fee which is what pays their salary and provides them job security. It is a well-known fact that the vast majority of actively managed investment funds tend to underperform the stock market or an index fund. The reason for this is that actively managed funds are being managed by human beings who invest with their emotions. Generally these emotions get the best of them and cause them to do the exact opposite of what they are supposed to do rationally. The nature of stocks is that they go up and down all the time, according to the latest news and market's expectations. Most investors, even professional ones, buy a stock when it is hot and sell it when it tanks. The reason most underperform an index fund is that the index is not subject to emotions and the management fees are significantly lower than those of actively managed funds. There is also an underlying assumption investors make that when they pull their money out, their income and thus tax bracket will be lower than when they put the money in. But again, who is going to guarantee that is truly the case?

> *"A retirement plan is the most profitable for banks and financial institutions. Almost all advice is the same, they tell you to max your payments to your IRA, 401K, etc. They tell you your payment is a tax deduction or a tax savings. But for most the tax you don't pay is like a loan –it earns the same interest you do. That means the so-called tax savings may not benefit you at all.*
>
> *When you go to take out your IRA money, you may get to pay more tax than you deferred on it."*
>
> - *Life Insurance – Will It Pay When I Die? - By Thomas W. Young*

> *"Does the fund manager lose money when you lose money? The fund manager still gets paid and the institutions still collect their fees. You are the only one who loses. Your money is at risk not theirs."*
>
> *– Financial Independence in the 21st Century – Dwayne Burnell*

In the old days, many people who worked for corporations used to bank on a guaranteed benefit pension plan to be there for them. Today that is no longer the case. At best there might be a guaranteed contribution pension plan, but even those are going away because the pension plans are constantly underfunded and have growing liabilities associated with them. Employers no longer want to be responsible for their employee's retirement. This is why the 401(k) has grown in popularity. Because it shifts the responsibility of the outcome from the employer to the employee.

> *"What has really happened since the inception of the 401(k) and other qualified plans is that investment risk shifted from the employer and has become completely the employee's burden. In contrast to a pension fund, your 401(k) plan or other* ***qualified plan actually promises nothing with respect to a retirement benefit from the company.****"*
>
> *– Financial Independence in the 21st Century – Dwayne Burnell*

Become Your Own Bank

Most people are led to believe that their money will "grow" over the "long-term" by 10% or 12% per year. But this doesn't take into account the growing presence of investment "bubbles" and the current interest rate environment. Should that change or should the next bubble implode, the rate of return of your fund may be quite different than what you were expecting. In fact, in these cases coming out whole or break-even can be a blessing. But obviously getting back the time spent cannot be recouped in the future.

> *"We are always asking, 'What rate of return am I going to get on this fund or investment?' Perhaps this is the wrong question to ask. Perhaps the question we really need to be asking is "what is my risk in that mutual fund or investment? We need to ask, 'What is the risk of losing my money? Can I live with the consequences if I lose part or all my money?' "*
>
> *– A Path to Financial Peace of Mind – Dwayne Burnell*

We did a study to find out how an investor would have done investing in the stock market as measured by the S&P 500, if they used the Buy & Hold model for 10 years. Are the returns really as good as people seem to believe? The results shocked us!

Date	S&P 500 Adj Close	Est. Tax Bracket 30%	10-yr Annualized Return	Equivalent Tax Free Return
12/29/1995	615.93			
12/31/1996	740.74			
12/31/1997	970.43			
12/31/1998	1229.23			
12/31/1999	1469.25			
12/29/2000	1320.28			
12/31/2001	1148.08			
12/31/2002	879.82			
12/31/2003	1111.92			
12/31/2004	1211.92			
12/30/2005	1248.29	1,058.58	7.3%	5.6%
12/29/2006	1418.3	1,215.03	6.7%	5.1%
12/31/2007	1468.36	1,318.98	4.2%	3.1%
12/31/2008	903.25	1,001.04	-3.0%	-2.0%
12/31/2009	1115.1	1,221.35	-2.7%	-1.8%
12/31/2010	1257.64	1,276.43	-0.5%	-0.3%
12/30/2011	1257.6	1,224.74	0.9%	0.6%
12/31/2012	1426.19	1,262.28	4.9%	3.7%
12/31/2013	1848.36	1,627.43	5.2%	3.9%
12/31/2014	2058.9	1,804.81	5.4%	4.1%
12/31/2015	2,043.94	1,805.25	5.1%	3.8%

S&P500 index values and annualized returns over 10-yr period.

Basically if an investor had invested in the S&P500 in any year starting in 1995-2005 and had held onto that investment for 10 years, their annualized returns would have varied between -3.0%/yr to +7.3%/yr! So the notion that people can just put their money away in the stock market over a long period of time and they will make 8%, 10% or 12% per year every year is simply false! Now these are normal before tax rates of return. If we assumed the investor was in a 30% tax bracket, the actual annualized after-tax returns would be even smaller, ranging from -2.0%/yr to 5.6%/yr. This demonstrates that what people believe and what the reality is are very, very different. Now these returns do not take into account any fees whatsoever – trading commissions, management fees, marketing fees or sales loads which can easily take a huge bite into the annualized returns of a portfolio of 2%/yr year or more. This represents 40% of the returns assuming a 5% per year return!

The system wants us to be their slaves to suck management fees.

> *"Powerful forces are in place to keep the stock market at the forefront of our financial thinking. These are the mutual fund industry and Wall Street. The late 20th century paradigm tells us we must be in the market and 'buy and hold' to see our money grow."*
>
> *– Financial Independence in the 21st Century – Dwayne Burnell*

GOVERNMENT PROGRAMS - SOCIAL SECURITY, MEDICARE, MEDICAID

As we mentioned above, for many Americans their financial strategy is "Hope" in government institutions like Social Security and Medicare. For example even though people hardly put any significant amount of money into Social security and Medicare thru their working years, they somehow expect it will be there for them when they retire. And they further assume that whatever money the Social Security Administration does decide to send them, that it will be "enough" to maintain their current lifestyle. Sadly that is a very mistaken notion. The sad reality is that Social Security is unsustainable and at some point in the next decade it is likely to have to restructure or else go bust.

> *"Social Security was never meant to be the only source of income for people when they retire. Americans need much more than just Social Security. They also need private pensions, savings and investments. The late 20th century paradigm we've been encouraged to embrace- hope, transfer of control and responsibility and entitlement- is not working out so well for a lot of us."*
>
> *– Financial Independence in the 21st Century – Dwayne Burnell*

As compared to past years, the number of new entrants collecting social security income vs. those who were paying into the system will change very dramatically. This is in large part the reason the system is likely to fail sooner or later – because it is violating the number one law of financial success: Namely Income MUST Exceed Expenses in order for Net Income to be positive and thus for the fund to be sustainable. To the extent that the number of people contributing into it is diminishing compared to the number of people taking money out of it which is rapidly growing, at some point the system HAS to fail! It's pure and simple mathematics.

Become Your Own Bank

"As of January 2011, approximately 10,000 baby boomers per day (those born in the U.S. from 1946 to 1964) will become eligible to draw Social Security benefits. 10,000 new Social Security recipients per day for the next 20 years."

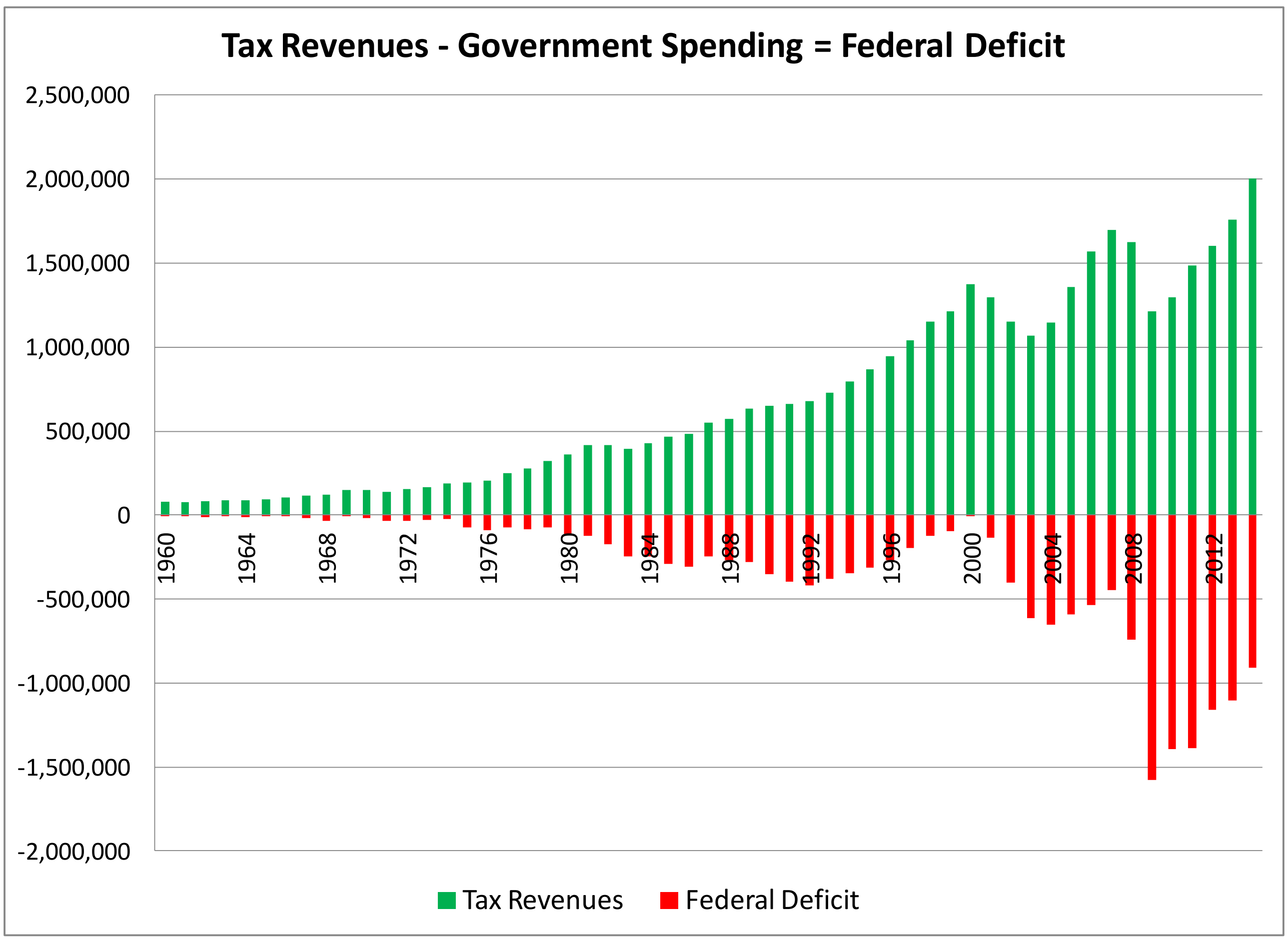
– Financial Independence in the 21st Century – Dwayne Burnell

That is a big number!!!

"The three big federal programs- Medicare, Medicaid, and Social Security- amounted to 42% of the entire federal budget projected for 2011. Looking to the 73 million people who will draw on these social programs in the next 20 years, these three programs are overcommitted and underfunded."

– Financial Independence in the 21st Century – Dwayne Burnell

Something has to give. Sooner or later. Why bank on the government to be your solution? Why not take matters into your own hand and take control of the banking function in your life so that you are not dependent on the kindness and largesse of politicians and central bankers who are generally financially ignorant and who think taxing more and printing money is the solution to every problem?



GOVERNMENT SPENDING, TAXES, DEFICITS AND THE NATIONAL DEBT
We first need to state the obvious. Only the private sector can create Wealth. Individuals and corporations create wealth by working – by using their talents, knowledge, time, labor, efforts, and natural resources to provide products and services that others need. People provide their labor and capital in exchange for money. The government does not create Wealth. The only thing they know how to do is redistribute the wealth created by the private sector. They take money from the productive sector of society ("the rich") via taxes, fees and tariffs and give it to the poor via handouts, food stamps and other means that will ensure poor people remain poor and vote for politicians that give them "their" government benefits. They also waste a lot of money in the name of "national defense" when in fact much of this money is not necessary to keep us safe.

WILLIE SUTTON'S LAW

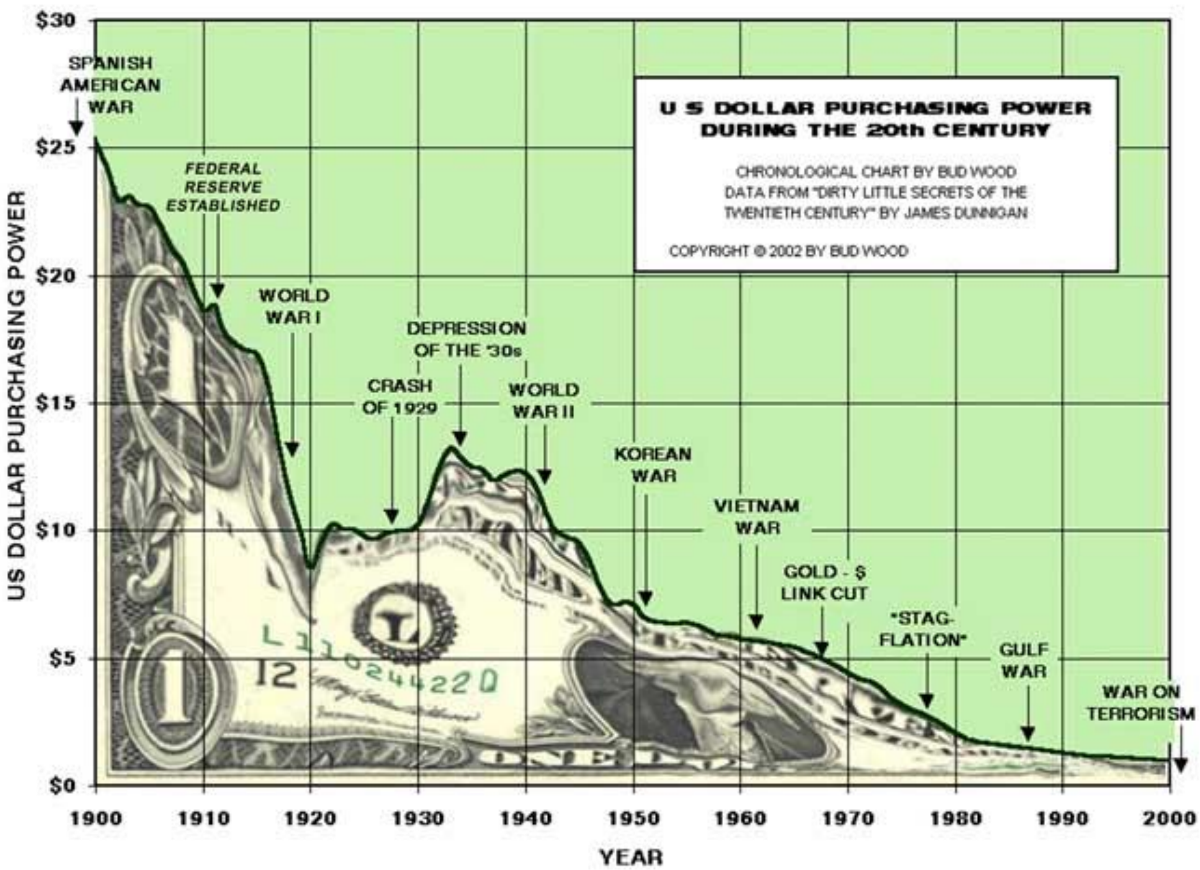
> *"Sutton's Law is 'wherever wealth is accumulated someone will try to steal it.'"*
>
> *"Economist Frédéric Bastiat coined the term Legal Plunder. 'Legal Plunder is when the law takes from some persons what belongs to them, and gives it to other persons to whom it does not belong'."*
>
> *–Becoming Your Own Banker – R. Nelson Nash*

Just become something is Legal, does not necessarily make it Right.

> *"There are two methods, or means, and only two, whereby man's needs and desires can be satisfied: One is the production and exchange of wealth; this is the economic means. The other is the uncompensated appropriation of wealth produced by others; this is the political means."*
>
> *– Albert J. Nock, Our Enemy, The State*

When the money the government collects via Taxes is not enough, they only have one of two choices to fund their deficits – the government can Borrow or they can Print more Money. The first is bad because there is no plan in place to pay the debt other than to borrow more money down the road to pay the old debt. The second is bad because the more money the government prints, the more inflation is created into the system as the price of everything goes up, while the standard of living goes down.

In previous years the US government would fund its deficits by borrowing money – issuing Treasury bonds. Many of the purchasers of these bonds were foreign governments. Seeing how large our national debt has become, and fearing we will not pay them back, many foreign countries no longer want to lend us to keep deficit spending. Since the last major financial crisis, which became very evident in 2007-2008, the government has embarked on a strategy called QE (Quantitative Easing) which basically consists of printing money to finance our debt. Since the government is hesitant to raise taxes because people would revolt, but they need to keep deficit spending, the Fed has decided to step in to cover the deficits in a more subtle way thru QE. The Fed simply prints money and buys the bonds which the Treasury issues. This money creates inflation and the bonds cause the national debt to go up which in turn costs more in interest. We then fund this cost via more QE which causes the debt to go higher in a vicious downward spiral. We are reaching the breaking point. When it will be no one knows, but if we continue on this path it seems inevitable. Deficit spending inevitably causes the purchasing power of the currency to go down, resulting in the cost of living going up, and the standard of living to go down because generally people's income does not rise at the same pace as the cost of everything they buy.



Let me ask you another important question:

IF YOU HAPPENED TO PASS AWAY UNEXPECTEDLY OR PREMATURELY, DO YOU HAVE A PLAN TO TAKE CARE OF YOUR FAMILY AND LOVED ONES?

If yes, is it guaranteed to be there no matter what? Or only if you happen to pass away within the next few years? If not, why not? What has kept you from preparing and taking care of your family on your own terms? Would you seriously prefer a court, judges and attorneys to decide what will happen to your property and family? Would they truly know what is best for your loved ones?

Many people are told that they need life insurance but to only buy Term Life Insurance – typically if they have a family and children and to buy for a term – until their children grow up. They are told that they don't need it after that because their retirement savings and investments in mutual funds will take care of them.

Well what happens in the event that you pass away just after your term life insurance expires? But you have not quite yet built up the nest egg you were hoping for? After all funding car purchases, student loans, home mortgage, and getting rid of credit cards is not so easy for most people. So how much do they really have left for investing or life insurance?

People are told not to worry because term life insurance costs go down over time. Yet this is not true. In fact, it's quite the opposite. As you get older the cost of insurance goes up. It's designed that way because life insurance companies know that the risk of death increases as people grow older. Since they are in the business of making money, they raise the cost of the term life insurance until the vast majority of people decide not to renew them. About 98-99% of term life policies never pay out a dime! Every dollar you paid into them turns out to be pure profit to the insurance companies and at the end of the day you have nothing to show for this money. And to top it off, there is no guarantee that even if you could afford to renew your life insurance after your term policy expires, that the insurance companies will want to insure you. After all insurability is based on your health, weight, and habits at the time you apply for the policy. So if for some unfortunate reason you have developed a condition that would cause you to be ineligible, then what?? Yet most insurance agents who sell these policies will not tell you any of this because it is not in their best interest. They will simply make a commission by selling you the policy and will move on to the next client.

Some people who have intentions of buying a permanent policy as opposed to a term life insurance policy unwittingly end up buying the wrong kind. They will buy a straight whole life insurance where their cash value will take a long time to build up. Or even worse, they will end up buying a universal or variable life policy where they will end up losing the majority of the money they put into these policies as the cash value of the policy is eventually eaten up in order to keep the policy in force. This is the main reason that some of the "financial gurus" are so opposed to these policies and say they are a scam. In many ways they are right. The people who sell them either don't understand how these policies perform long-term, or they fail to inform their buyers of the risks these policies pose to their financial health.

WHAT TO DO? HOW AND WHY YOU SHOULD BECOME YOUR OWN BANK?

The purpose of this seminar is to help you avoid costly mistakes and to help you understand how to properly set up a financial vehicle that is designed to help you BECOME YOUR OWN BANK! The idea is to create a warehouse of wealth that will meet many of your financial needs throughout your life while avoiding a lot of the pitfalls that many people fall into. People often think the cost of education is high, but the reality is that the cost of mis-information or ignorance is even higher and could be lethal to your financial well-being. Our purpose is to help you make an educated financial decision that could materially benefit your financial future and will help you put in place a solid FINANCIAL FOUNDATION that will help you accomplish your dreams and goals over your life time.

So now that we have posed these two important questions

- How are you preparing for your retirement? And
- How are you preparing for your eventual passing?

Let's analyze how and why you should work to BECOME YOUR OWN BANK!

CHAPTER 2: PAY YOURSELF FIRST! - YES, BUT HOW???

Many people have heard the advice of "Pay Yourself First", which was introduced by George S. Clason in his excellent book The Richest Man in Babylon. The problem is they don't know what this means or how to put it to practical use.

What this simply means is that you need to adjust your lifestyle such that each month you always have a Positive Net Income. This means your income must be greater than your expenses or vice versa your expenses must be less than your income. In other words, you need to live below your means. This is the fundamental key to prosperity. When people don't save, they have no hope of ever being debt free. Now the essential message of the concept of "Pay Yourself First" is not only that one must save, but that this must become a priority above paying any other bill. In other words, you must make yourself and your financial dreams a priority above everyone else who would like to take your money. If you don't set aside at least 10% of your income upfront as soon as you receive your income, then you have no hope of becoming financially successful. If you pay everyone else first and pay yourself last or you don't pay yourself at all then the chances of getting ahead in life are practically nil.

There are many practical ways we can implement this concept in real life. One is by literally setting aside money each pay period and putting it into a special fund. This could be a Savings Fund. One can also do this by using this portion to pay down debt each month. Lastly, we can accomplish both things at the same time by creating a special life insurance policy that is designed to function as a bank. We call this strategy "BECOME YOUR OWN BANK".

Think about how your money flows. Where is most of your money going? You get paid. Uncle Sam gets his share. Church wants their share. Banks collect interest or they threaten to repossess. Insurance demands their share or they will cancel your policy. Merchants want the remainder of your money. So When do you save?? The interest you pay on the debts you owe is making someone's bank rich at your expense, and not you.

So, if you could be the bank, would you do it? IMAGINE WHAT WOULD HAPPEN IF YOU COULD HAVE YOUR OWN BANK? WHO WOULD MAKE ALL THE INTEREST? Well YOU of course!

The basic idea we want to plant into your mind is that you need to BECOME YOUR OWN BANK ASAP! You need to set up your own "Bank" as early in life as possible so that you Save and at the same time Lend yourself the money you need to finance things and pay yourself the interest that you would have otherwise paid to someone else's bank.

> *"The whole idea is to recapture the interest that one is paying to the banks and finance companies for the major items that we need during a lifetime, such as automobiles, major appliances, education, homes, investment opportunities, business equipment, etc."*
>
> *–Becoming Your Own Banker – R. Nelson Nash*

Become Your Own Bank

STOP BORROWING FROM A BANK TO CONSUME AND PAY INTEREST.

You need to create your own bank and become your own best client!

Most people who buy life insurance buy term life insurance thinking they are protecting their families against a potential catastrophe. Yet unless the person dies unexpectedly before the term expires, all that money will be gone forever with no benefit either to the beneficiary or to the insured. Bill Lenderman explains that, "Term insurance is the rental of a death benefit." Meanwhile, that same person will spend tens or hundreds of thousands of dollars over a life time paying interest on all the things he borrows to spend on. If that person had understood how to BECOME YOUR OWN BANK, he would have been able to both provide protection for his or her family AND at the same time recapture all the interest he or she will spend the rest of their life paying to a bank to make that bank rich instead of making themselves rich. After a few years he would end up recovering the premiums paid on the term insurance and at the same time would end up with more death benefit.

Nelson Nash says,

"Your need for finance, during your lifetime, is much greater than your need for protection."
– Becoming Your Own Banker – R. Nelson Nash

So how exactly do we BECOME OUR OWN BANK? We will get into the details a bit later on, but for now just hold that thought and focus on the basic concept itself.

"The whole idea is to recapture the interest that one is paying to banks and finance companies for the major items that we need during a lifetime… This is not about investments. It is about how one finances the things of life. It is not a procedure to 'get rich quickly'. To the contrary, it requires long range planning. Learn to think beyond the lifespan of your current generation."
– Becoming Your Own Banker – R. Nelson Nash

The idea here is that your money needs a place where you can warehouse it. You can do that either in someone else's bank as most people are used to doing, or you can set up a special account that is set up to both help you Save money for retirement as well is set up as a credit facility to Lend you money to buy and finance all the things you need over your life span – cars, a home, education, etc. This may sound strange at first, but the more you think about this idea the more it will start to make sense.

"All truth passes through three stages. First, it is ridiculed. Second, it is violently opposed. Third, it is accepted as being self-evident."
- Arthur Schopenhauer, German philosopher (1788 – 1860)

Right now, when you get paid you deposit that money in a bank in a checking or savings account. If you deposit money in a CD, the banks pay you some interest, nearly nothing, and then turn around and lend that money to other people or back to you at high interest rates via a mortgage or a credit card. Then you get to spend the rest of your life paying off those loans back to the bank with interest. The bank keeps your interest as profit. But think for a moment what would happen if instead of borrowing from your bank and paying them interest to make them rich, you were to borrow from "your own bank" and paid yourself that interest? Who would become rich?? Well YOU of course! **<u>The idea is to disintermediate the banking system out of your life once and for all.</u>** This is the hallmark of true financial freedom – not relying on others for the capital you need.

Imagine it took you a few years to set up this bank and pay off the loans you owed to other banks, but let's say from that point on you never needed to borrow again from anyone, would it be worth it? How much money would you save? How much money would you then be able to put to work? What would happen if instead of borrowing you started to lend money out to other people from your bank? Who would get rich then?

So if you understand the basic concept, let's explore this a bit more so we can see just how exactly we can make this a reality. Nelson Nash calls the concept of becoming your own bank the "Infinite Banking Concept" or IBC for short.

> *"The first step to practicing IBC is to take out a dividend-paying whole life insurance policy, provided by a mutual insurance company (in which the policyholders, not third-party stockholders, are the joint owners of the company).*
>
> *Part of the "magic" of IBC is simply that it encourages households to save up before making purchases, rather than buying cars and other goodies by going into debt.*
>
> *People who defer consumption end up wealthier over time, compared to people who spend their whole paycheck as soon as it comes in the door.*
>
> *People are much more likely to sock away money when they view it not as "saving whatever is left over this month", and instead view it as, "this is my life insurance premium, which I need to make in order to keep my policy in force, and also it funds the increase in my cash values so I can borrow it later on when I need it."*
>
> *The advantage of borrowing from one's life insurance policy – as opposed to seeking outside financing – is simple: The loan rate is lower. This is why one will end up with far more wealth after a few years of self-financing, than if one relied on conventional lenders.*
>
> *– How Privatized Banking Really Works – Lara & Murphy*

BECOME YOUR OWN BANK is all about a change in mindset about the role that money and banking play in your life. Who are you making rich every time you buy and finance something? Your bank or yourself? Who controls how much you get to borrow and at what interest rate? Your bank or yourself? If you had a choice, which would you rather be? A customer of the bank? Or the owner of the bank?

BECOME YOUR OWN BANK is a concept, a philosophy, a way of life. It is similar to thinking about becoming your own "farmer". If you knew that in a few years you could not rely on others for food, would you sit around waiting until you are starving before doing something? Or would you start immediately to take matters into your own hands to provide your own food? If you decided to provide your own food, would you be upset that in the early years of setting up your own farm, it required a lot of upfront sacrifice and commitment? Would you resent the fact that in the early years you would need to do a lot of “investment” – buying the seeds, the fertilizer, the water, and spending the time to plant the seed, fertilize it and water it perhaps for a few years before you saw the first signs of a fruit? Would you think it’s not worth it and a “scam” or a waste of time? Or would you have the understanding that “paying the price” in the early years would eventually yield a big surplus and a big harvest because this new supply of food would keep you alive and self-sufficient the rest of your life? Think about it! BECOME YOUR OWN BANK is somewhat similar to this analogy. If you can take care of the Finance function in your life, once and for all, from an early age, you can dramatically change the course of your life and that of your family for generations into the future! Is it worth it? You better believe it!

CHAPTER 3: TRADITIONAL BANKING IS THE PROBLEM

> *"In a capitalistic society, money has to stay in motion to create more money. Financial institutions use our money to make money by being lenders and investors to others."*
>
> *- Life Insurance – Will It Pay When I Die? - By Thomas W. Young*

TRADITIONAL BANK LOANS

We will now describe how a traditional bank works. A commercial bank is an institution that serves two basic purposes.

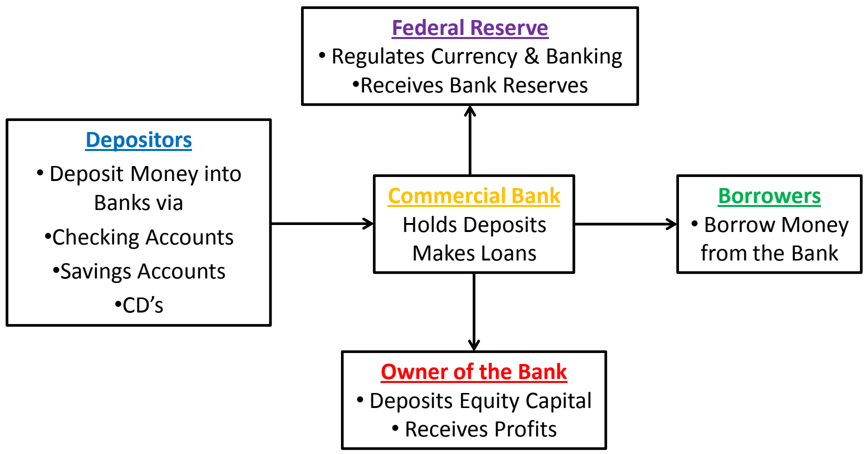
1.) **Banks serve as a place to Deposit money**. Banks warehouse money for people who need a place to Deposit it. When a person or a business gets paid the money needs to have a place where it is held in safe keeping until it is needed for another person or used to pay someone else. Typically people will keep their money in a bank in either a
   a.) Checking Account – where people can write checks and earn no interest.
   b.) Savings Account – where people can hold money short term and earn a little interest, or a
   c.) Certificate of Deposit (CD) – where people can leave money for a longer term – typically 1 to 10 years and earn a little higher rate of interest. People cannot easily withdraw money from a CD unless they pay a penalty fee for early withdrawal.

2.) **Banks serve as a place to Borrow money**. When people or businesses need to borrow money, they will typically go to a bank and apply for a loan. The bank will review the loan application, run a person's credit to check their credit score and payment history, and determine whether they want to lend them the money they are requesting and if so under what terms. If the loan is approved, the borrower then typically needs to put up some collateral, needs to agree to the terms and conditions the bank requests, needs to pay fees to originate the loan, and then needs to live by the terms and conditions of repayment or else they face stiff penalties and the possibility of ruining their credit score and losing their collateral if they can't repay. Obviously banks lend at a high enough interest rate to make money, but low enough to compete with other lending institutions. And the rates they lend at are typically much higher than those which they pay you for your deposits.

> *"When you ask for a loan and borrow money, whether it is from a financial institution or a credit card, you are not in control of the interest rate and repayment terms. The bank makes a loan offer and you either accept their terms and conditions or not. If you don't accept their terms, you don't get the loan. A key way to manage your household economy is to remove the burden of high interest rate payments and the structured schedule under which you repay your loan."*
>
> *– Financial Independence in the 21st Century – Dwayne Burnell*

As long as you don't BECOME YOUR OWN BANK, you will have to live by the terms and conditions of someone else's bank. As the old saying goes, "He who has the gold, makes the rules."

How Traditional Bank Works



Your Liability is the Bank's Asset

> *"Rich people acquire assets. The poor and middle class acquire liabilities, but they think they are assets." – Robert Kiyosaki*

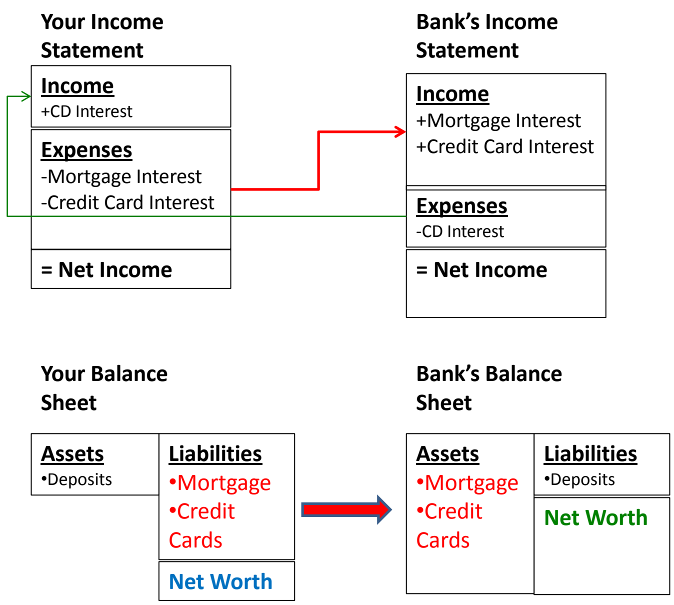
Robert Kiyosaki teaches the difference between an Asset and a Liability. He defines Assets and Liabilities this way:

- ***Asset*** *– An Asset is something that puts money in my pocket.*
- ***Liability*** *– A Liability is something that takes money out of my pocket.*

> *"This is all you really need to know. If you want to be rich, simply spend your life buying assets. If you want to be poor or middle class, spend your life buying liabilities. It's not knowing the difference that causes most of the financial struggle." – Robert Kiyosaki*

As we show in the following diagram, for you a bank loan is a liability – it takes money out of your pocket each and every month until the loan is paid back in full with interest. For a bank, your loan is their asset. It is what puts money in their pocket to make them rich so they can have more money to lend to more people.

Your Loan is the Bank's Asset



So what is the solution to being a financial slave all your life? You need to turn this around! In order to be financially free you need to Create and BECOME YOUR OWN BANK, fund it with your insurance premiums, and then take policy loans and pay them back with interest to become your own best client.

> *"Banks make money by loaning your money back to you and charging interest and fees on each loan. Clearly banks and wall street have a self-serving interest in keeping your money under management. It's our responsibility to use the products provided by Wall Street and banks to our advantage. We must educate ourselves as to the inherent risks and benefits of their products."*
> *– Financial Independence in the 21st Century – Dwayne Burnell*

The problem with banks is not just that they suck the life out of you by taking your money via interest. The other problem is that they set the terms and conditions for whether they lend you in the first place, how much they lend you, for how long, at what interest rate, and they determine the consequences for not paying back on time.

> *"The banks want you to depend on them, since this is the primary way they make money."*
> - *Life Insurance – Will It Pay When I Die? - By Thomas W. Young*

Become Your Own Bank

HAVE YOU EVER TRIED TO QUALIFY FOR A BANK LOAN TO PURCHASE A HOME OR A CAR? WHAT ARE THE REQUIREMENTS?

> *There are two aspects to borrowing money: 1) the interest rate 2) qualification - that is whether you are even going to be able to borrow the money at all. These two aspects are affected by a number of factors, including your job history, credit payment history, perceived income stability, FICO credit score and more.*
>
> *– A Path to Financial Peace of Mind – Dwayne Burnell*

Before the housing crisis, anyone "with a pulse" could qualify for a mortgage. All you needed to do was state your income and how much you wanted to borrow. Underwriting guidelines became very loose. Many people simply lied to borrow more. Unfortunately this all came crashing down and now the pendulum has swung in the other direction. Today it is very hard for most people to qualify for a loan. Although the requirements make sense, they are not easy for many people to meet. These typically include:

- Having a Job
- Having sufficient Income
- Having a good Credit score and credit History
- Having sufficient Down Payment
- Having a W-2 and paystubs
- Providing other documentation – bank statements, K-1's, 1099's, tax returns, etc.
- Subjective Review (human standards from bank to bank) and Objective "Box" of Requirements does not allow for flexibility.
- An appraisal – in the case where you are buying a home.
- Cash on hand to pay for closing costs, title fees, loan origination fees, etc.

> *"Obtaining a loan from a financial institution is a process that requires time and a lot of documentation. You jump through hoops to meet the requirements your lender imposes so you can use their money. You borrow money from others and pay their fees, service charges, and possibly high loan interest because you don't have access to your own money without even greater penalty."*
>
> *– Financial Independence in the 21st Century – Dwayne Burnell*

All of these hoops that banks make you jump thru don't necessarily guarantee that you will be able to borrow the money. I have seen instances where someone provides all of the above and yet they will still be rejected by a lending institution for no good reason and without recourse or appeal to anyone.

The difference between being reliant on someone else's bank and having your own bank is that when you have your own bank, you call the shots. Approval is instant. You set the terms and conditions for repayment. So not only do you save tens or hundreds of thousands of dollars in interest and fees, but you also enjoy peace of mind by not having to worry whether the money will be available when you need it.

Become Your Own Bank

The only thing that will limit how much you can borrow is how much you have deposited in there in the first place. This is why it is critical to start your own bank as early as possible in life!

THE GOLDEN RULE

In his book “Becoming Your Own Banker”, Nelson Nash talks about the Golden Rule. He says,

> *“The Golden Rule – Those who have the Gold make the rules!”*
>
> *– Becoming Your Own Banker – R. Nelson Nash*

He goes on to explain that it is very important to save money to create Capital. Why? Capital is the foundation of Capitalism. It is the foundation or bedrock of how an economy functions. All businesses need capital in one way or another – Debt or Equity, typically a mixture of both. Long-term capital and short-term capital. Those who have their own capital can dictate the rules of the game. Those who need someone else’s capital are subject to the rules set up by the owner of that capital.

> *“The importance of saving – of creating capital – is all but a lost value. As a result someone else must provide the capital that is necessary to sustain our way of life. This strategy carries with it a very high cost.”*
>
> *“Capital is a responsibility and should be treated with great respect.”*
>
> *“When you have a large amount of cash on hand all sorts of good opportunities will appear, and you can also negotiate very favorable purchase prices.”*
>
> *– Becoming Your Own Banker – R. Nelson Nash*

WHO CONTROLS THE BANKING FUNCTION? YOU OR YOUR BANK?

Banking is something that has always existed. Everyone needs a place to store their wealth and a place to borrow from to buy the things they want and need and to take advantage of opportunities. The question is whose bank and whose capital will you be using? Yours or the bank’s? Who will control the banking function in your life? You or the bank? Depending on what the answer is will dictate who will benefit from your hard work in the years to come; i.e. who will get to keep all the interest payments you will pay and the earnings that those interest payments will earn over the years.

> *“People have abdicated their opportunity/responsibility as it pertains to the banking function in the economy. They are depending on someone else to perform that job – and that character in the play is making most of the money! And rightly so, because of the Golden Rule – those who have the gold make the rules! It can be no other way!”*
>
> *– Becoming Your Own Banker – R. Nelson Nash*
>
> *“A person should be building equity, not in buying equipment, but in the banking business that finances his equipment! Everyone should be in two businesses – the one in which you make your living and the other should be the banking business that finances whatever you do for a living. Of*

> *the two businesses, banking is the most important. Businesses come and go – but banking is eternal."*
>
> *– Becoming Your Own Banker – R. Nelson Nash*

FOCUS ON WHERE THE INTEREST GOES!
One of the main things that people fail to realize is that whoever controls the banking function will collect the rewards for having that control. In other words, that bank will become rich from all the interest payments you make. Some people try to invest money while they are still in debt because they think they can earn more money or a higher rate of return on their investments. They justify that by saying that their rate of return is higher than the interest rate on the debt. What they fail to see is that the actual volume of money they make is less than the money they pay out in interest to someone else's bank. The issue is not the rate of interest you pay. The issue is to whom do you pay it? And how much do you pay? Who is getting the interest you pay?

Nelson Nash says,

> *"The American public is focused on the rate of interest (or yield) rather than the volume of interest."*
>
> *– How Privatized Banking Really Works – Lara & Murphy*

> *"The volume of interest is the real issue – not the annual percentage rate!"*
>
> *– Becoming Your Own Banker – R. Nelson Nash*

For a typical mortgage, *"86% of every dollar paid out goes to the cost of financing – interest and closing costs!"*

> *In cars, 21% of every payment dollar is interest.*
>
> *– How Privatized Banking Really Works – Lara & Murphy*

> *"Add up all the interest you are paying out and you find that 34.5 cents of every disposable dollar paid out is interest."*
>
> *– Becoming Your Own Banker – R. Nelson Nash*

> *This is how much extra "income" each household would have each month, if its debts magically disappeared. This shows how much past decisions to accumulate debt are constraining the household's current finances. There is nothing "natural" about paying a huge fraction of disposable income to outside lenders every month.*
>
> *– How Privatized Banking Really Works – Lara & Murphy*

Nelson Nash uses a plane analogy to make his point. He says that a plane flying at 100mph with a tailwind of 345mph would go much faster than a plane flying against a headwind of 345mph. It's the same when people try to invest before they become debt free. In order to accelerate that process you need to replace using other people's banks with your own bank!

Become Your Own Bank

"Most people concentrate all their attention to trying to make an airplane go 105 mph. They would do well to spend their energy on controlling the environment in which they fly. You can do your environment in the financial world by controlling the "banking equation" as it relates to you. Creating a perpetual "tailwind" to everything you do in the financial world."

– Becoming Your Own Banker – R. Nelson Nash

"Somehow or another, it never dawns on most financial gurus that you can control the financial environment in which you operate. Perhaps it is caused by lack of imagination, but whatever the cause, learning to control it is the most profitable thing that you can do over a lifetime."

– Building Your Warehouse of Wealth – R. Nelson Nash

DEBTOR, SAVER, OR WEALTH CREATOR?

Now that you understand the problem, the question is just exactly how would you go about becoming Financially Free in practical terms? Let's take a common purchase that everyone buys every few years – a car. How much money do you expect to spend on cars for your entire life? Let's say for example that we were to review the example we stated earlier in this seminar.

Say you buy a $20,000 car every 5 years over a 50 year lifespan. If you pay an interest rate of say 10%, that becomes a $25,500 car with interest. This assumes no inflation over time.

So in 50 years, buying a car every 5 years, you would buy 10 cars over a lifetime.
So $25,500 x 10 = $255,000 of cash flow out the door.

So that is $200,000 of principal payments plus $55,000 of interest gone forever.

Now generally, there are two common ways most people would go about buying these cars. Either they will borrow and pay back the loan with interest. And they will repeat this process ten times over their life time. Or they will save up for the car, pay cash for the car, drawing down their bank account, then pay themselves back over time, typically without interest, to fill their account back up for the next time.

"Don Blanton, creator of the Circle of Wealth concept and the private reserve strategy discusses the difference between a debtor, a saver, and a wealth creator."

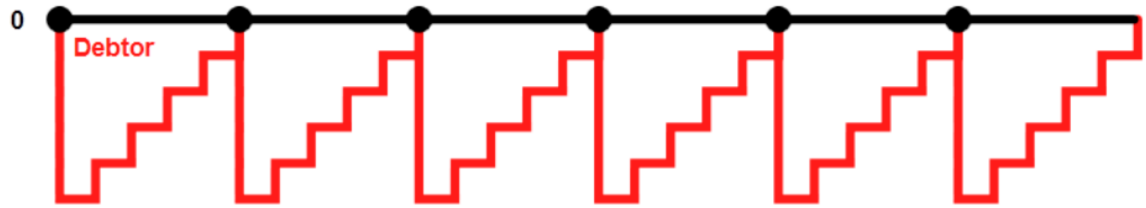
– Financial Independence in the 21st Century – Dwayne Burnell

- **THE DEBTOR**: Think about *the process of qualifying for a loan:*

  "If we fill out all the paperwork, if our credit score is acceptable to the lender, if we can get through the application process and qualify for the loan, the financial institution will lend us money to buy our car. The lending institution sets forth the terms for loan interest, loan origination fees, and repayment- including our monthly loan repayment amount and schedule. If we fail to meet his terms, our lender repossesses the car. If you sell your car, the lien against the title insures that your car loan is paid in full to your lender before you receive any money. This is the common way we have been taught to buy a car."

  – Financial Independence in the 21st Century – Dwayne Burnell

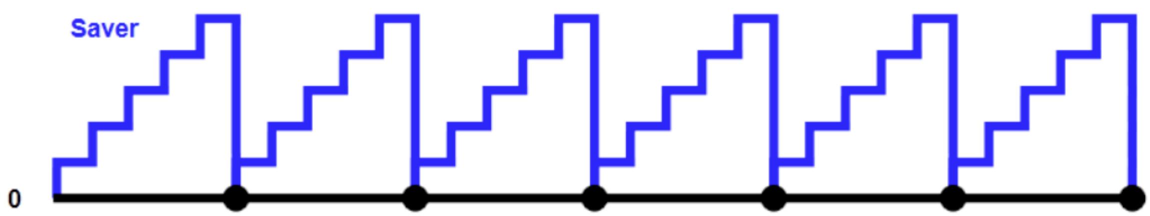
For a debtor, the chart below illustrates the typical way their cashflows will go. Initially they borrow the amount needed to buy the car. Then over the next five years they will pay the loan back until they eventually owe $0. Then it's time to start all over again.



- **THE SAVER**: *"The saver's car purchase process looks like this:*

  The saver starts at zero and saves incrementally. Once enough money is accumulated, then he or she spends it and purchases the car. By spending all the money, the saver is back at a zero position. He or she starts the incremental savings process again in anticipation of the next major capital purchase."

  – Financial Independence in the 21st Century – Dwayne Burnell



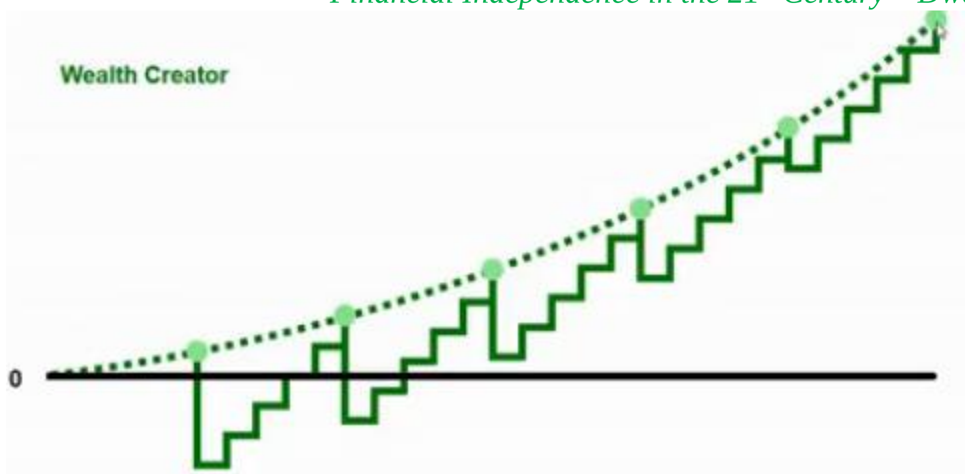
The difference between the Debtor and the Saver is not just one of semantics or timing of cash flows. There are significant differences between the two. The first is that as a Debtor, every 5 years you will need to qualify for a loan and pay fees and do paperwork each time. Then you MUST pay back each month with interest so your credit score remains intact. So you will always pay back more than you borrowed. This interest sets you back economically each cycle.

As a Saver, YOU are in CONTROL. You immediately get to decide that you qualify for a withdrawal from your bank account. You have flexibility of payments. AND you SAVE having to make interest payments. So you will end up saving $55,000 vs. the Debtor method for other uses as you see fit.

- **THE WEALTH CREATOR**: *"The wealth creator - the credit facility within a whole life policy is guaranteed. So there is no loan application or qualifying process. When you borrow from the insurance company and take a loan against your policy, you do not actually withdraw money from your policy. You take a loan using the financial reserves of the insurance company. Your policy cash value and death benefit act as collateral for the loan. If you pay back your principal and loan interest, then the principal becomes available once more as part of the cash value and death* *benefit inside your policy. If you choose not to repay the loan, then when the insured person dies, the outstanding loan balance (plus interest) is subtracted from the death benefit."*

- *"The dotted green line in the wealth creator figure reflects the growth of the cash value within the policy."*

– Financial Independence in the 21st Century – Dwayne Burnell



Here we see that as the person pays back the policy loan with interest, and receives dividends for being a policy owner, this person's wealth will grow over time.

- *"As with any loan, the policy owner pays back this loan incrementally in a stepwise fashion. But unlike a loan from a bank, there is no qualifying process, no loan origination fees, no service charges, and no rigid loan repayment schedule."*

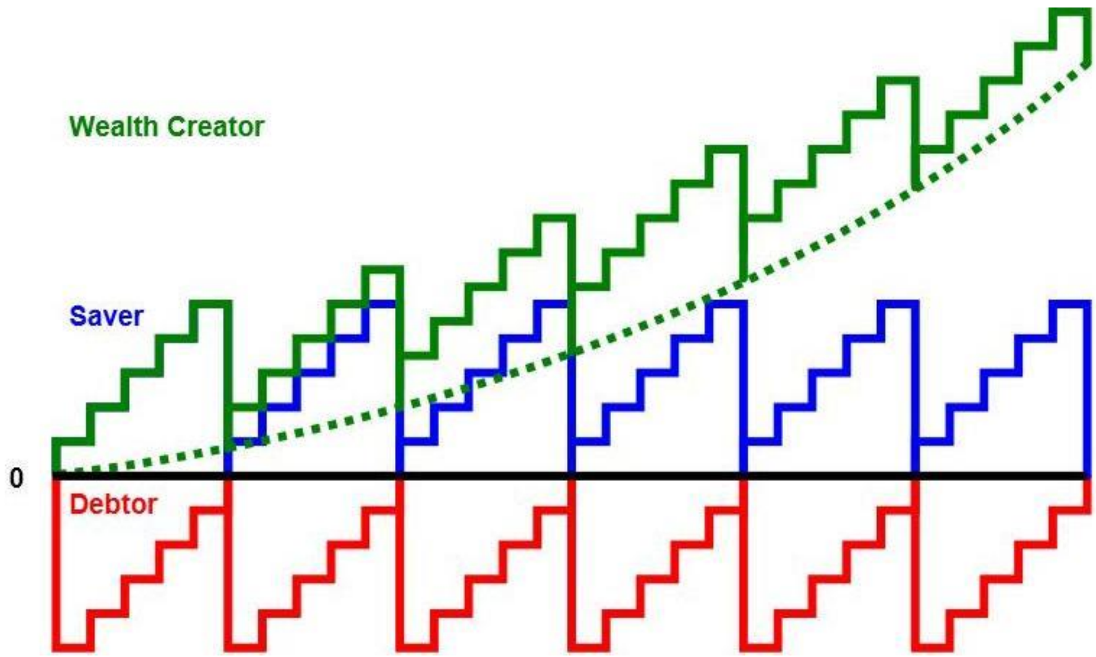
- *"The power of the participating whole life contract is that the money in your policy continues to compound and grow while you have a loan against it. Your repayment of the policy loan and interest reduces the lien, restoring your access to capital and maximizing the death benefit. The policy owner borrows money to fund capital expenses, save money, and grow an additional asset (the death benefit) at the same time. In a custom-designed whole life policy, which uses paid-up additions to strategic advantage, taking loans from the insurance company against the policy and paying them back causes a multiplier effect and grows the cash value and the death benefit. Over time, the policy owner takes loans, makes capital purchases, repays the loans with interest, but does not end up at zero at the conclusion of each purchase cycle. Wealth grows throughout the policy owner's lifetime."*

– Financial Independence in the 21st Century – Dwayne Burnell

There are two main benefits from the Wealth Creator strategy vs. Saver. The first is that you don't just pay back the principal borrowed, but you pay it back with interest. This causes the value of the account to go up over time vs. stay flat as in the Saver.

The second is that if you pay a higher interest rate than the minimum required, the additional amount buys up Paid-Up Additions, and this causes your account to go up even more and your Death Benefit goes up by a multiple of this amount. This will become clearer a bit later on.

So as we see from this example, there IS a bad way, a good way, and a better way. Now the question is which would you rather be? A Borrower? A Saver? Or a Wealth Creator by learning to BECOME YOUR OWN BANK???



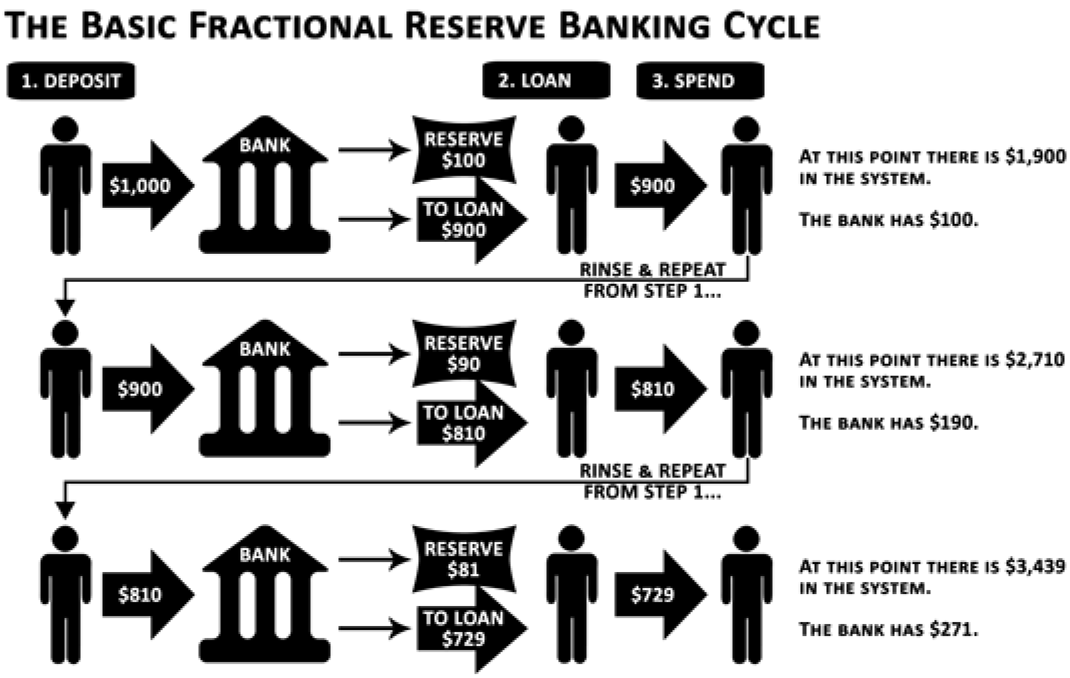
Think about it. Let's say you saved $5,000 for 7 years to BECOME YOUR OWN BANK but you never had to borrow ever again to buy a car? How much would that save you? Not just in interest but also in the paperwork, time and hassle of having to apply for a loan each time? What would your net worth be as a result of BECOMING YOUR OWN BANK vs. the alternatives? Is it worth it? Are you willing to pay the price to do it? To have your own Financial Freedom? Or would you rather continue to do things the way everyone else has been doing them forever?

FRACTIONAL RESERVE BANKING SYSTEM

Recently several countries have seen financial crises centered around the banking system. Most recently the crises have been focused on Greece, Ukraine, and Puerto Rico, but also in recent years Ireland, Italy, Spain, the UK and the United States have been the subject of financial problems since 2007. The root of these problems is something called the Fractional Reserve Banking System. What this means in simple terms is that banks are allowed to lend credit money in greater quantities than the amount of capital deposited by depositors simply by depositing a fraction of their deposits with the Federal Reserve. To understand how Fractional Reserve Banking works consider the following illustration.

Become Your Own Bank

Suppose that a person has $1,000 which he deposits in his Bank "A". In his mind he has $1,000 available to spend. Now if we assume the Reserve Ratio required by the Federal Reserve is 10%, what this means is that the bank has to deposit 10% of the deposits it has received with the Federal Reserve or $100, and can now lend up to a maximum of $900.



Now suppose another client comes into Bank "A" and applies for a loan in the amount of $900. He is credited a loan for $900. Notice this money has just been created out of thin air. At this point there are now $1,900 in the banking system – the $1,000 the depositor thinks he has and the $900 the borrower thinks he has. This borrower takes this money and deposits it in a different Bank "B". Bank "B" now deposits 10% of this money or $90 with the Federal Reserve which enables that bank to lend up to $810. Imagine a third person walks into Bank "B" and borrows the $810. He is again credited this money which he deposits into his Bank "C". Now we have $2,710 dollars floating around the system. We can continue to repeat this process a few more times until eventually we will see that out of the original $1,000 the fractional reserve system will create $10,000 in circulation or 10X. All along everyone thinks they have access to this money at any time. This process is called Inflation – where the banks are all creating money out of thin air. This is exactly what happens during economic booms when the Fed lowers interest rates and encourages a "loose" monetary policy.

> *Add the "multiplier effect" of bank lending practices. When you make a deposit of $1,000 at your favorite bank, they can now lend out $10,000 as a result of your deposit. It is called the "fractional reserve lending system". "It is predicated on the theory that "everyone is not going to withdraw their money at the same time".*
>
> *– Becoming Your Own Banker – R. Nelson Nash*

Become Your Own Bank

In essence what this does is create an unstable upside down "pyramid" system of sorts where all is well as long as people pay their loans on time and as long as all the people don't rush to the bank to withdraw their deposits all at once.

> *"Banks in the U.S. operate using the fractional reserve system. Commercial banks are required to keep only a fraction of the money deposited with them as reserves."*
>
> *– A Path to Financial Peace of Mind – Dwayne Burnell*

> *"Banks make their money by loaning our money back to us. In the process of loaning us our money they collect interest and fees in the money they lend. This makes banks critically dependent upon borrowers making their loan payments regularly and on time."*
>
> *– Financial Independence in the 21st Century – Dwayne Burnell*

Imagine what would happen if the first depositor decided to go bank to Bank "A" to withdraw his money – his $1,000! What would happen to the rest of the money? Or imagine that the second borrower invests the money he borrowed unwisely and loses it and is unable to repay the loan and thus defaults. Again, what would happen? It doesn't take a lot of things to go wrong for the system to start to implode upon itself. That is why the modern fractional reserve banking system is inherently unstable and is called by many a "dishonest" banking system. As long as everyone pays back with interest, the banks can reap the rewards of collecting high interest from all these loans. But as soon as people start to repay their loans or worse yet if people default on, or not pay back, their loans or withdraw their deposits the system starts to feel Deflationary forces.

When depositors lose faith in the safety of a bank and rush to withdraw their money, this is called a Run on the Bank. Bank runs are generated by a loss of confidence. In order to prevent bank runs, governments have created some "safety precautionary measures" such as insuring deposits against loss up to a certain maximum. For example here in the United States, the Federal Deposit Insurance Corporation (FDIC) insures bank accounts up to $250,000. This creates an illusion of safety among depositors.

> *"When people's confidence in the banking system is shaken, a "bank run" may occur.*
> *When banks loan out aggressively, loans default, entire bank is at risk, of collapse."*
>
> *– Financial Independence in the 21st Century – Dwayne Burnell*

In order to avoid problems an honest banking system would require that money be backed 100% by reserves at all times. In other words that if a depositor deposits $1,000 in a bank he realizes he will not have access to this money and that the borrower who borrows the money provides enough collateral so that it is virtually guaranteed that he will pay back the principal so both the bank and the depositors don't take a risk of losing their capital.

> *"The fractional reserve system usually works because, the total amount of withdrawals is offset by deposits made at the same time. A bank is critically dependent upon borrowers making their loan payments regularly and on time."*
>
> *– A Path to Financial Peace of Mind – Dwayne Burnell*

Become Your Own Bank

When the 2007-2008 banking crisis was occurring here in the United States the Federal Reserve and the US Treasury took the unprecedented step to bail out several banks and financial institutions to prevent a full collapse of the financial system. This created bad precedent which is typically called "Moral Hazard" where banks get the message that if all goes well they get to keep the profits, but if things go bad, the public will bail them out and thus they avoid going bankrupt. The justification given for bailouts is that depositors should not lose their money. But the reality is that who is really getting bailed out are the large institutional investors and management.

> *"When folks started defaulting on their mortgages this put tremendous financial pressure on banks. Due in part to the fractional reserve system, they began suffering from a shortage of available cash (liquid reserves) and a drop in consumer confidence which caused many folks to withdraw money from their accounts."*
>
> *– A Path to Financial Peace of Mind – Dwayne Burnell*

In recent years governments have been changing the rules so that when the next banking crisis happens, the government will no longer bail out the banks. Instead they have now been creating laws to legally do what is called a Bail In. Bail In means that if a bank fails, the shareholders, debt holders and depositors will lose their money in order to keep the bank afloat and solvent. This was recently tested in banks in Cyprus where depositors lost as nearly 50% of the money they had deposited in the bank. The fine print now says that those deposits are in fact "loans" you made to the bank, which are subject to risk and loss.

So how can you avoid being hit by the next financial crisis? One possible way is to not have too much money deposited in traditional commercial banks and instead use the BECOME YOUR OWN BANK strategy to warehouse your wealth instead using specially designed whole life insurance policies.

> *Individual households can take immediate action to limit the power of the Fed and commercial banks to inflate the money supply. They can immediately implement privatized banking. This new strategy does not require sacrifice but is actually in the financial interest of each household that implements it. By adopting the strategy you further limit the power of the Federal Reserve and the banking elite.*
>
> *This strategy involves no direct conflict with powerful institutions, but merely a withdrawal of support. Rather than revolution, this strategy represents secession from the existing order.*
>
> *This "new" strategy is actually one of the most conservative money management strategies: The "Infinite Banking Concept" (IBC) as developed by R. Nelson Nash. This is the connection between IBC and the Sound Money Solution.*
>
> *– How Privatized Banking Really Works – Lara & Murphy*

So to summarize, it is good for depositors to be aware of how the Fractional Reserve Banking System works and to make preparations so that in the next crisis they are not directly affected in large measure through ignorance. One of the reasons why using a life insurance policy is a good stable idea and why using banks is not is that,

> *"Banks are leveraged against their deposits while insurance companies are not. This has long-term and long-range implications for the stability of participating whole life contracts."*
> *– A Path to Financial Peace of Mind – Dwayne Burnell*

In other words, the insurance companies cannot lend money they don't have. They don't get to create "bank credit loans" out of thin air and thus are NOT inflationary like typical commercial banks are who inflate the money supply. For more information we recommend you read *The Case Against the Fed* by Murray Rothbard.

CHAPTER 4: THE KEY TO CHANGE – A PARADIGM SHIFT

PARADIGM – A NEW WAY OF LOOKING AT THE WORLD

Now that we have discussed some of the background on why you should consider to BECOME YOUR OWN BANK, we want to discuss a concept called a "Paradigm Shift". This was a phrase coined by Stephen Covey, author of "The 7 Habits of Highly Effective People", a very good book we highly recommend.

A Paradigm is essentially a deeply held belief, a perspective, a way we view and interpret how the world is. For example before Columbus set out to prove that the world was round the paradigm of that time was quite different. People used to believe that the world was flat. In addition, people believed the world was held up by four elephants and the elephants in turn were sustained by a giant turtle floating in space. People believed, talked, and behaved as if that was a fact. Once Columbus proved that that notion was false, this became a "paradigm shift". It is in essence a massive change in the way we view and perceive and interpret how we see the reality of the world.

"We interpret everything we experience through the lens of how we view the world. Rarely does it occur to us to question the accuracy or completeness of our view. When we deeply consider new information this can shift our thinking. This is what the term "paradigm shift" means – a change from one way of thinking to another. A paradigm shift is essentially a perceptual transformation."

"Shifting our personal paradigm means that we expand our understanding of how we interpret events, people, our environment, and possibly all of life itself. A shift in your financial paradigm takes time, effort, and thought."

– Financial Independence in the 21st Century – Dwayne Burnell

What we are suggesting that you adopt and embrace is to go thru a Paradigm Shift as far as how you handle your finances by deciding to take control of the banking function in your life. This requires having a new understanding and perspective based on the long-term view of your financial world. At the end of the day you have to decide whether you want to continue to abdicate responsibility for your financial future to others or whether you are prepared to take responsibility and implement a completely new way of doing things than you have done before up to this point.

> *"Embrace a new paradigm for an effective lifetime financial strategy, built on the principles of knowledge, control, growth and empowerment."*
>
> *– Financial Independence in the 21st Century – Dwayne Burnell*

> *"The Infinite Banking Concept is a major paradigm shift for most folks."*

> *"Becoming Your Own Banker – The Infinite Banking Concept is education."*

> *"Education is an on-going process. You will discover a whole new financial world."*
>
> *– Becoming Your Own Banker – R. Nelson Nash*

> *"The key to becoming wealthy has little to do with how much you make, it has more to do with how you think. There is an economic limit based on how you think."*
>
> *- Life Insurance – Will It Pay When I Die? - By Thomas W. Young*

By choosing to BECOME YOUR OWN BANK, you are choosing to wear two new roles – that of Owner of your Own Bank and that of your own Best Customer by deciding to finance everything you do through your own banking system and in the process capturing the benefits and profits of doing so. The beauty of this is that this is not a fad or a gimmick. It is a completely different way of managing your money. It is in essence creating a cornerstone of your financial strategy which will help you "Get Out of the System" created by the universities, government, banks, merchants, insurance companies and financial institutions. This is ultimately what Financial Freedom is all about.

> *"We need a strategic plan that allows us to recapture our hard earned money from those we borrow from, save or invest with throughout our lives. We can recover the money that is being earned by the banks and financial institutions and recapture it for you."*
>
> *- Life Insurance – Will It Pay When I Die? - By Thomas W. Young*

THE ARRIVAL SYNDROME

In his book, Nelson Nash talks about the "arrival syndrome". This refers to when we think we know everything already. When we are closed minded to new ideas or perspectives.

> *"The greatest obstacle to discovery is the illusion of knowledge."*

> *"When our dreams have come true because we dreamed too little, when we arrived safely because we sailed too close to the shore. When with the abundance of things we possess we have lost our thirst for the waters of life, Having fallen in love with life, we have ceased to dream of eternity. We have allowed our vision of the new Heaven to dim.*
>
> *Disturb us, O Lord, to dare more boldly, to venture on wider seas where storms will show your mastery."*

"The Infinite Banking Concept is dealing with a totally different paradigm."

"One must develop new habits. Many are still caught up in the posture of thinking that the matter is a function of interest rates. *It has to do with recognizing where money is flowing to and the failure of charging interest to yourself for the things that you buy using your own banking system. Anytime that you can cut out the payment of interest to others and direct that* same market rate of interest *to an entity that you own and control, which is subject to minimal taxation (life insurance companies do pay taxes), then you have improved your situation."*

"To be effective, the Infinite Banking Concept must become a way of life. You must use it or lose it!"

– Becoming Your Own Banker – R. Nelson Nash

Now that we understand that the concept of BECOME YOUR OWN BANK is a Paradigm Shift – a completely new perspective and way of life around managing our money, we need to have the proper perspective and understand the difference between Savings vs. Investments. Without this understanding, one may easily fall into the trap and bad advice of thinking that "buying a whole life insurance policy is a bad investment." **Nothing could be further from the truth!**

SAVINGS VS. INVESTMENTS

Many people are eager to invest without first having a proper plan in place. They are trying to run before learning how to walk and sometimes even before learning how to crawl. An essential part of being successful with money is knowing the difference between Savings and Investments and understanding the purpose each serves in achieving our overall goals and how each fits into an overall strategy. Dwayne Burnell does an excellent job when describing the difference between Savings and Investments. Below are some of his thoughts on this subject.

"For a solid financial strategy, there should be two groups of money. There should be money that is saved and not subject to risk of loss, and there should be another group of money that is invested. A proper financial strategy will have these two components clearly distinguished."

Become Your Own Bank

"Remember that saving and investing are not the same thing. Your savings consist of money that you don't want to lose. Money you invest is money that is subject to the risk of loss."
– A Path to Financial Peace of Mind – Dwayne Burnell

"You save for moderate growth with security, stability, accessibility, and minimal risk of loss. You invest for greater growth at the risk of loss. You need both sides of the coin for a secure financial future."

"The cornerstone of your lifelong financial strategy should be a solid foundation of security and stability. To build this, place your money in a financial vehicle where your money"
(1) Experiences predictable growth,
(2) Is not subject to capital loss, and in which there is
(3) Guaranteed cash accumulation.

"By confusing and blending the fundamental concepts of saving and investing, we confuse the risk associated with our money."

"We should temper our desire to get greater returns in the stock market and rediscover the fundamental value of saving. We have been dazzled by the possibility of greater returns in the stock market while minimizing the risk of loss associated with this potential growth."

"There is more opportunity in preventing losses than in chasing gains."
– Financial Independence in the 21st Century – Dwayne Burnell

So as we see in the quotes above, we need to distinguish clearly between a Savings plan and an Investment plan. The bottom line is we need both. But before we try to invest, we first need to learn to Save and put this money to work in a vehicle that is guaranteed to perform without risk of loss. That is the purpose of warehousing your wealth by setting up a properly structured life insurance policy that helps you BECOME YOUR OWN BANK. Then once this is set up and running, we can then afford to take risks with the remainder of our money and can put it to work by paying off debt or investing it in the stock market or real estate where it is subject to uncertainties and risk, but where it can also have a healthy upside if invested correctly and at the right time.

ECONOMIC VALUE ADDED – PAYING INTEREST TO YOURSELF

The Parable of the Talents

Jesus taught a parable usually called "The Parable of the Talents". In the parable of the talents, Jesus talks about 3 servants who were entrusted with talents of gold. Each talent of gold was roughly 50kg or about 1,600 oz. At a gold price of $1,250/oz, each would be worth nearly $2 million. He said,

> *14 "For the kingdom of heaven is like a man traveling to a far country, who called his own servants and delivered his goods to them. 15 And to one he gave five talents, to another two, and to another one, to each according to his own ability; and immediately he went on a journey. 16 Then he who had received the five talents went and traded with them, and made another five talents. 17 And likewise he who had received two gained two more also. 18 But he who had received one went and dug in the ground, and hid his lord's money. 19 After a long time the lord of those servants came and settled accounts with them.*
>
> *20 "So he who had received five talents came and brought five other talents, saying, 'Lord, you delivered to me five talents; look, I have gained five more talents besides them.' 21 His lord said to him, 'Well done, good and faithful servant; you were faithful over a few things, I will make you ruler over many things. Enter into the joy of your lord.' 22 He also who had received two talents came and said, 'Lord, you delivered to me two talents; look, I have gained two more talents besides them.' 23 His lord said to him, 'Well done, good and faithful servant; you have been faithful over a few things, I will make you ruler over many things. Enter into the joy of your lord.'*
>
> *24 "Then he who had received the one talent came and said, 'Lord, I knew you to be a hard man, reaping where you have not sown, and gathering where you have not scattered seed. 25 And I was afraid, and went and hid your talent in the ground. Look, there you have what is yours.'*
>
> *26 "But his lord answered and said to him, 'You wicked and lazy servant, you knew that I reap where I have not sown, and gather where I have not scattered seed. 27 So you ought to have deposited my money with the bankers, and at my coming I would have received back my own with interest. 28 Therefore take the talent from him, and give it to him who has ten talents.*
>
> *29 'For to everyone who has, more will be given, and he will have abundance; but from him who does not have, even what he has will be taken away. 30 And cast the unprofitable servant into the outer darkness. There will be weeping and gnashing of teeth.'*
>
> \- Matthew 25:14-30

In this parable we see that the servant who was entrusted with 5 talents, went and traded with them, and multiplied them. He returned 10 talents – the original 5 plus another 5 he earned. He was praised "well done" by his master for being "good and faithful over a few things" and he was made ruler over many things. Similarly the second servant who was entrusted with 2 talents, likewise earned 100% -

another 2 talents. He received the same praise. However, the last servant who was entrusted with 1 talent, came back with the same money. He had not done anything. He was reprimanded for being "wicked and lazy". The master said he should have at least deposited the money with bankers to at least receive it with interest. And he lost everything. Jesus is telling us that money cannot sit idle. It needs to be put to work. He says that we need to be "profitable" with our time and resources entrusted to us. He also says that "everyone who has, more will be given, and he will have abundance". However, those who are "unprofitable" even what they have will be taken away.

One of the most important "paradigm shifts" we also need to consider and make in our minds is to understand just exactly why we should "pay ourselves interest". Most people do not realize that money needs to always be working. Money has a cost called the "time value of money" – it is either earning more money or if it is not then it is costing you an opportunity cost. Opportunity cost is what the money could have earned had it been invested. Once we understand this we will give it the proper respect it deserves and we will maximize its use.

> *"The principle of opportunity cost implies that the value or cost of a resource used in one particular application is determined by what its use in the best alternative gives up."*
>
> *"The decisions you make are always at the expense of something else. Time or money which is directed towards something or some place, takes away from something or some place else. Opportunity costs are created by many of these decisions."*
>
> *"Robert Castiglione of LEAP Systems once said 'The how decisions you make set the stage for these differences in results, not the where decisions'."*
>
> - *Life Insurance – Will It Pay When I Die? - By Thomas W. Young*

In modern terms this concept has been called Economic Value Added or EVA. In an article called,

> *"The Real Key to Creating Wealth" Shawn Tully describes the concept of Economic Value Added (EVA).*
>
> *– Becoming Your Own Banker – R. Nelson Nash*

> *"Borrowing money from yourself and then paying yourself for the use of this money is the concept referred to as Economic Value Added (EVA)."*
>
> *– A Path to Financial Peace of Mind – Dwayne Burnell*

The basic gist of the concept is that equity money is not "free". It has to earn its "cost of capital" or a return to reward its owners.

> *"Earning more than the cost of capital is about the oldest idea in enterprise."*
>
> *– Becoming Your Own Banker – R. Nelson Nash*

> *"When we pay ourselves back for using our own money we are recognizing that our money has a very real value that can be calculated."*

"Economic value added- with respect to participating whole life insurance, Economic Value Added is an important concept to understand and applies to individuals. Your money also has a value when you use it. When you spend a dollar from your pocket, you are not only giving up that dollar but also all the interest that dollar could have earned for your entire life if you had kept it in an interest-bearing financial vehicle. The opportunity cost of one choice over the other."

"The Economic Value Added concept helps us understand why we repay loans borrowed against our policy at a higher interest rate than charged by the insurance company. There is an opportunity cost associated with the choices you make. Essentially, you want each dollar in your savings or investments to perform at their optimum ability. When you borrow from your policy, you must assign a value or interest rate for each dollar borrowed equal to the highest amount that dollar could have earned regardless of the interest rate charged by the insurance company. For example if the insurance company charges you an 8% interest rate, then you need to assign a value to your dollar above 8%, such as 12%. The additional 4% difference between what you pay the insurance company as loan interest and your actual payment into your policy per payment is your personal Economic Value Added."

"It is important to respect the value of your money and your desired return on your principal. If you assume that the cost of using your own money is zero, then you will make poor decisions about how you spend or invest it."

– A Path to Financial Peace of Mind – Dwayne Burnell

Having understood and accepted this, now let's review another similar concept introduced by Nelson Nash in his book "Becoming Your Own Banker" called the Grocery Store.

THE GROCERY STORE

Nelson Nash tells the reader to imagine that you own a grocery store. The purpose of the grocery store is to sell food at a profit. The point of the story is to realize that you are both the Owner and that you also are a Consumer who needs to eat.

"Imagine being in a business in which you are both a consumer and a seller of the same thing."

"You start it all by studying what the business is all about. What is necessary to be successful as an entrepreneur in this field. This is going to take some time and expense."

"The objective of the business is to provide you with income and to build a business that you will eventually sell to someone else to provide you with retirement income."

"You are and your family are captive customers for your store."

– Becoming Your Own Banker – R. Nelson Nash

So, rather than going to someone else's store, why not become your own best client? Makes sense right? Then he says to assume that each can of peas you sell has a cost of 57 cents and sells for 60 cents. If you the owner want a can of peas to eat, you have two options – you can either pay for it like everybody else and go out the front door with it, or you can take it out the back door. Many people would be tempted to want to take the can out the back door rationalizing that they are the store owner after all. The key here is to realize that if you do that, you will de-capitalize your own business. Think about it – if you make a profit of 3 cents per can, how many sales would you need to make for each can you take for "free" out the back door? Now realizing you would be stealing from yourself, you decide you will not do that but will go out the front door. You could simply pay 57 cents and make no profit, but again your money would not be working for you. You are still cheating yourself. You could also pay 60 cents like everyone else, and that would be "ok". However, there is an even better option.

> *Why not charge 62 cents for the can of peas? The extra two cents will go directly to additional capital to buy more cans of peas to sell to the other customers!*
>
> *Do this over a long number of years and your record books will show a superior profitability picture.*
>
> *This makes it possible for you to "clip larger coupons" at retirement time.*
>
> *If you understand the grocery store, the rest of learning how to be your own banker is "a piece of cake!"*
>
> *– Becoming Your Own Banker – R. Nelson Nash*

If you can grasp the magnitude of what he just said you will see where this is going. The reason you want to pay the extra two cents is that the incremental amount you are paying is all profit, and profit goes straight to the bottom line to increase your net income and your net worth. And it is capital which allows you to grow even faster and become more profitable in the future.

Once we understand these key distinctions, it is critical that we also have the proper perspective. This requires having a lifelong strategy that guides our efforts and helps provide a steady course for our thinking and actions.

CHAPTER 5: FINANCIAL PLANNING REQUIRES A LIFELONG STRATEGY

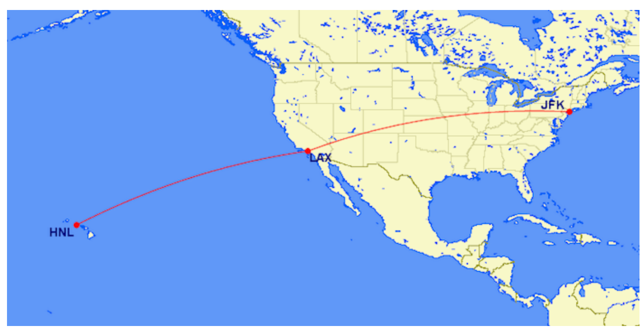
"The right financial plan can change your life, make your dreams seem within reach and help you live a fulfilling life of success and happiness".

- Life Insurance – Will It Pay When I Die? - By Thomas W. Young

Characteristics of a Good Financial Plan

An essential part of being successful in life is
- A.) Assessing Where you are right now.
- B.) Knowing Where you want to go.
- C.) Having a Plan how to get from A to B and
- D.) Start taking Action steps every day to get you there.

Most people drift through life without any idea of what they want out of life. They are much like a person on a life raft floating on the ocean of life simply tossed to and fro by circumstances. They have no dreams, no goals, and no plans. They just simply live week to week waiting to "see what happens". At best they have a hope of what they hope will happen "some day". For example, they hope when they retire they will end up in Hawaii. What are the chances that will happen simply by floating around? Probably pretty close to 0.

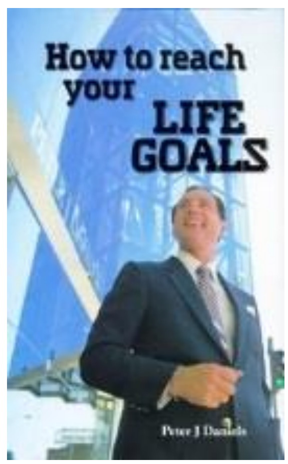


It is the same with finances. Most people hope that when they reach retirement age, they will be taken care of by "someone". At best they invest in a 401(k) or IRA hoping the stock market will be kind to them and will go up as the financial gurus say. They hope that a storm or hurricane won't prevent them from reaching their dream destination.

In order to be financially successful, we must have a plan. We must take control and decide where we want to go and what we want to do in life. Imagine an ocean cruise ship traveling from Los Angeles to Hawaii. It knows the starting point. It knows the destination. And it has a strategy of how to get there – a map, a compass, fuel, food, a crew, etc. So which one has a better chance of reaching its goal?

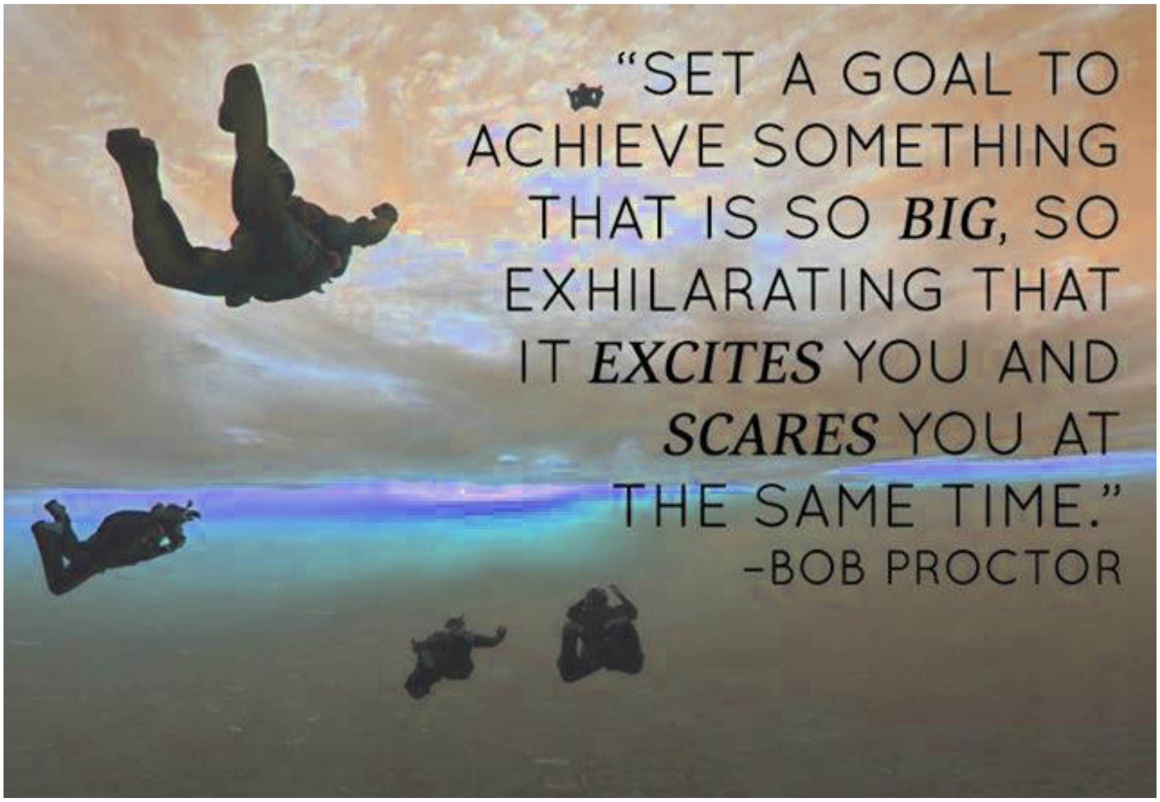
 OR 

What is the difference? The difference is that the man on the raft does not have a plan, whereas the cruise ship does. It has a strategy and a plan for how to achieve its goal. A cruise ship does not travel very fast, but it is constantly moving, plowing thru waves, moving purposefully in the direction of its destination.



Many people have some goals, but they are typically short-term in nature and somewhat vague. For example, go to college, get a degree, get a good job, get married, etc. Most people do not have specific or definite goals. At best they have quarterly goals or 1-year goals. Peter J. Daniels recommends that we should have Life Goals. This basically means knowing your Mission and Purpose in Life. Having a Dream and a Vision. Being Committed to your Goals. This way everything you do is guided and judged against that life-long Destiny that you are aiming towards. By having a life-long view of life we can then begin to Think and Act in a very different manner. Everything we do has to align itself to that Vision of how we see ourselves and we can then begin to see how it fits in. This is essentially what having a Lifelong Strategy is all about. It is in essence your roadmap.

Bob Proctor likes to say that most people like to “tip-toe through life, hoping they’ll make it safely to death.” What we are talking about here is the exact opposite. Thinking long and hard about what we really want to do. And then once we Decide what that is, put a Plan in place that will help us get there and then take decisive Action until we succeed!



When deciding how to achieve our financial goals we need to consider several aspects.

1.) We need to distinguish between a strategy and a tool or product. A strategy is a plan of action designed with a purpose in mind. A tool may be a way to achieve the strategy. A product is a specific type of tool. Don't confuse these!
2.) We need to think about the long-term, preferably our entire life time. Why? The reason is that we want to take this into account because time is money and because mistakes can be very costly especially when viewed across what their financial impact could be over many, many years compounded.
3.) We need to think about our basic beliefs and values, our current situation, and where we see ourselves in the future.
4.) We need to think of what we are trying to accomplish, what needs or goals are we trying to satisfy, and what factors we need to take into account – both positive and negative.

"Look at your lifetime goals and increase your financial knowledge and skill. The goal is to build a financial strategy that will truly last a lifetime. Once we develop our financial knowledge, then we are in a position to thoughtfully choose the appropriate financial products that fit into and support this strategy."

– Financial Independence in the 21st Century – Dwayne Burnell

With that in mind let's look at some advice by Dwayne Burnell.

"Any financial plan you can live with and follow for a lifetime must:

- *Be aligned with your values and beliefs about money.*
- *Be based on a comprehensive understanding of your current overall financial situation.*
- *Consider your risk tolerance.*
- *Consider the tax implications of your strategy, current and future.*
- *Systematically address how to build wealth, while also taking into account life's unexpected curves."*

"What characteristics should we look for as part of a lifelong financial strategy? The core elements and characteristics to look for in an Effective Lifetime Strategy should include:

- *Security and stability: we don't want to lose our money.*
- *Guaranteed Growth: we want to make money on our money*
- *Access to our money without penalty (financial flexibility): we don't want to have to pay just to be able to withdraw or use our money*
- *Reduced fees, service charges, and loan interest paid to others: we don't want to pay unnecessary charges*
- *Tax-favorable environment: we don't want to pay excess taxes."*

– Financial Independence in the 21st Century – Dwayne Burnell

In addition it would be great for the product we use to offer

- *Financial safety*
- *High liquidity*
- *Predictability*
- *– A Path to Financial Peace of Mind – Dwayne Burnell*

"You deserve to live your life with the best possible lifetime financial strategy, not the latest financial product."

– Financial Independence in the 21st Century – Dwayne Burnell

It is very important that we understand this point. Many sales people and "financial advisors" will be more than happy to sell you the product they are paid to peddle. They will try to convince you that it is the best. What you want to know is best for who? Best for you and your family? Or best for their pocketbook?

"Entering the stock market, real estate, or other investment opportunities to strategically enhance your wealth, using money you can afford to lose, is a very different strategy than placing retirement money you cannot afford to lose in an unpredictable stock or real estate market."

"Placing money that is not critical to your financial survival in an investment with a potential for a higher rate of return can be an important component of a financial strategy. Think about your money in a different way. Develop a stable and predictable financial strategy that will work with your needs and wants, and congruently serve your long-term goals. With a little knowledge you

can set yourself on a different financial path. One that enables you and your family to reach a level of financial security, control, and independence you might never have thought possible. You deserve to live your life with the best possible lifetime financial strategy built upon a cornerstone of solid knowledge."

– Financial Independence in the 21st Century – Dwayne Burnell

The attributes of a theoretically perfect investment include:

- *Safety – the asset's price would not likely drop*
- *Liquidity – the owner could turn the asset into its "fair market value quickly if needed.*
- *High rate of return*
- *Tax advantages*
- *A Source of Income (i.e. not merely appreciation in price)*
- *Uncorrelation with the stock market*
- *A Hedge against price inflation,*
- *Protection from creditors in the event of bankruptcy.*

– How Privatized Banking Really Works – Lara & Murphy

With this in mind, let's look now at what characteristics financial products offer and which one, if any, would best be suited to develop our financial strategy to reach our goals.

Characteristics of Financial Products

The financial industry has developed a large number of tools and products that meet different needs. One is not necessarily better than the other. It all depends on what its purpose is. It's kind of like saying is a spoon better than a fork or knife. The answer is No – they each have a different purpose. So let's review some of the most popular tools that people use to store or invest their money and their wealth.

- **Checking Accounts**: A checking account is a liquid account where you can deposit money and make withdrawals in cash or by check to pay for things. The money is readily accessible whenever you need it. Funds paid by check are typically available the next day. These accounts typically do not pay any interest and may charge a monthly fee.
- **Savings Accounts**: A savings account is a liquid bank account that pays you interest, but the number of withdrawals that can be made per month is limited. The interest paid is typically small.
- **Certificate of Deposit (CD)**: A CD is money that is deposited in a bank for safe keeping designed to pay a small interest. The outcome is predictable and the return is uncorrelated with the stock market. But because of the low risk, the return is also low. It is illiquid and if the money is retired early, there is a penalty.
- **Real Estate**: Real estate provides a tangible form of investment. It can provide both income and appreciation over time. However, it can be highly illiquid – i.e. it may not be easily sold again anywhere close to where it is purchased. It also carries with it costs such as property taxes, HOA dues, interest, and possibly upkeep and maintenance if it is a building and not just land. It is not correlated to the stock market, but it is correlated and dependent on the values of other similar properties nearby.

- **Mutual Funds**: Mutual funds enable small investors to participate in a fund along with thousands of other small investors. The fund can be an index or it can be actively managed by a professional money manager. Mutual funds have annual fees like 12b-1 marketing fees and management fees. They are liquid, but the price is only set once a day at the end of market close.
- **Stocks**: Stocks allow investors to own a part of a large company and to participate in the upside of that company. If the company pays dividends the investor can receive both income and potential upside thru price appreciation. Otherwise the profit is made if the stock is sold at a higher price than where it bought or sold at a higher price than where it is covered if it is sold short.
- **Options**: An option gives an investor an opportunity to make a leveraged return on the performance of the underlying stock if certain criteria are met by the time the option expires. Options can be highly volatile and illiquid. But if structured properly could give higher return and lower risk than stocks.
- **Bonds**: A bond pays an investor interest on a regular basis, typically twice a year and could allow an investor some upside if it is bought below par value.
- **Whole Life Insurance**: A whole life insurance contract enables the owner to have a death benefit and also accumulate cash value as dividends and additional premium are paid each year. The insurance may provide the owner with readily available cash thru policy loans. It can also provide asset protection against creditors in the event of a lawsuit. It may also be surrendered to receive the cash value at any point.

"Each of the financial products was designed to meet a specific need or set of needs with a target goal or purpose in mind."

"Each of the financial tools or products you use comes with a certain set of characteristics related to its risk, rate of return, tax liability, liquidity, and predictability."

– A Path to Financial Peace of Mind – Dwayne Burnell

Become Your Own Bank

The Ideal Investment	IRA / 401k	Brokerage Accounts	Home	Real Estate	CD's, Checking Savings	Annuities	Precious Metals	Whole Life Insurance
Safety *Is your money safe? Are you protected from loss?*	NO	NO	NO	NO	YES	Possible	YES	YES
Guaranteed Growth *Are guarantees offered?*	NO	NO	NO	NO	YES	Possible	NO	YES
Penalty Free Withdrawals *Can you take your money out without penalties?*	NO	YES	NO	NO	NO	NO	YES	YES
Liquidity, Use & Control *Can you get access to the money if you need it?*	Possible	YES	Possible	NO	YES	Possible	YES	YES
Asset Protection *Is the money protected from creditors?*	Varies	NO	Possible	NO	NO	Varies	YES	YES
Leverage *Does it create most wealth for least amount of money?*	NO	YES	YES	YES	NO	NO	NO	YES
Tax Advantages *Does the money grow tax deferred?*	YES	NO	YES	YES	NO	YES	YES	YES
Tax Free *Is the money tax free upon distribution?*	NO	NO	Possible	Possible	NO	NO	NO	YES
Collateral *Can you borrow against your money for loans?*	NO	NO	YES	YES	YES	NO	YES	YES
Tax Deductions *Can you deduct payments from your income tax?*	YES	NO	YES	Possible	NO	NO	NO	YES
Disability Benefit *Will someone make the deposits if you become disabled?*	NO	NO	NO	NO	NO	NO	NO	YES
Wealth Transfers *Does this money transfer tax free to your heirs?*	NO	NO	NO	NO	NO	NO	YES	YES
Uncorrelated with Stock Market *Is the money uncorrelated with the stock market volatility?*	NO	NO	YES	YES	YES	YES	YES	YES
Reduced Fees & Service Charges *Are the ongoing fees minimal to maintain the account?*	NO	NO	NO	YES	NO	NO	YES	YES
Hedge Against Inflation *Does the account provide a hedge against inflation?*	NO	NO	Possible	YES	NO	NO	YES	YES
Consistent Rate of Return *Is it possible to get a consistent rate of return?*	NO	NO	NO	NO	NO	NO	NO	YES

The chart above shows that each financial tool has some characteristics and is missing others. The one that would seem to have most of the characteristics that most investors would desire making it almost the ideal financial tool for the purpose of serving as a bank is the whole life insurance.

> *"Whole life insurance can serve as the cornerstone of your financial strategy. An effective and appropriately crafted lifetime financial strategy will work in strong and weak economic times."*
>
> *– A Path to Financial Peace of Mind – Dwayne Burnell*

There is no other tool that comes close. Having ready access to our money, without having to pay monthly fees or penalties for early withdrawal, growing at a guaranteed steady pace in a tax advantaged environment, not correlated to the ups and downs of the stock or real estate market, seems like an ideal tool that every family should have in their arsenal.

> *"Think about a lifelong financial strategy using participating permanent whole life insurance. By understanding and applying its strategies, you will set yourself on a path to achieve financial stability and freedom."*
>
> *– A Path to Financial Peace of Mind – Dwayne Burnell*

FINANCIAL SUCCESS REQUIRES LONG-TERM PLANNING

Most people are used to thinking short-term and living mostly for today. Most people live paycheck to paycheck. At best they think about what they will do this weekend or where they will go on vacation this year. One of the things that we are going to have to learn to be financially successful is how to think long-term. When we talk about thinking long-term we are talking about having a plan for the next 10, 20 and 50 years or more.

In this context, it is helpful to think like a farmer or a forester. A farmer when he plants some seeds or trees needs to be thinking long-term. Otherwise he will lose hope, get frustrated and will grow impatient and eventually lose his investment. Recently I had an opportunity to visit a macadamia nut farm in Hawaii. In the middle of the farm there is a 3-mile road where as you drive all you see is macadamia nut trees to the left and to the right as far as the eye can see. This farm had about 2,500 acres. Each acre has about 100 trees. These trees were planted several decades ago. And each of them yields macadamias year round. At the end of the road there is a visitor center and a factory where they process the macadamias and sort them to put them into bags ready for sale. As I saw the nuts going thru the conveyer belt and getting packaged into bags that retail for about $10/bag, I literally observed how this was a money machine! Yet what impressed me the most was the thought and planning that went into this. Obviously someone had a long-term view when they bought this land and planted these trees. They realized that the upfront work and investment to get this farm started would yield a handsome return for many years into the future.

Likewise we need to be thinking about our life much like the owners of this farm did. Imagine for a moment that instead of getting paid in money each week or each month, you got paid in seed. Using this analogy, most people choose to eat their seed every month. All of it – 100%. And then the following week they are forced to go out and work again to earn more seed so they can continue to eat. That is how most of nature works. Animals hunt, eat, rest. And when they are hungry they need to go hunt again. However, even nature teaches us that there is a better way. Think of the squirrels or the ants. What do they do? Do they live simply for the day? No! They work to save in the summer months so that in the winter months they will have food. We would be wise to follow this principle as well.

Think about this: What is better? To work and live each month – "paycheck to paycheck" and eat 100% of the seed? Or to hold back a bit, save some of the seed, and instead plant it believing some day those seeds will yield fruit and over time will allow you to create your own orchard which in time will feed you? If you saved 10% of the seed each month and instead planted it, at first it might seem like you are limiting yourself, instead of enjoying life right now. But if you think about it, it is very smart to think about the long term.

Now, let's assume that it took five years after you planted the seeds before those trees started to produce fruit. Would it be worth it? What if you knew that each of those seeds planted would generate 100 seeds in the future and would feed you the rest of your life? Would it be worth to save a portion each year for 5-7 years if that set you up for the rest of your life? I think most people who stop and think about this would quickly say, "Absolutely!" If saving for a few years sets me up for the rest of my life, I would be crazy not to do it!

> *"Think seventy years in the future.*
>
> *Plan as if you are going to live forever and live as if you are going to die today.*
>
> *Learn how to plan and act inter-generationally.*
>
> *Learn to think beyond the lifespan of your current generation.*
>
> *In forest finance, you are dealing with compound interest over a long period of time with no taxation on the build-up. You must make an investment and you won't see any result for that same long period!"*
>
> *– Becoming Your Own Banker – R. Nelson Nash*

Well in a similar manner, we need to think about our future and the role that banking has in it.

BANKING – THE MOST IMPORTANT BUSINESS IN THE WORLD

Nelson Nash says,

> *"Banking is the most important business in the world!*
>
> *The process of banking goes on no matter what is happening.*
>
> *The essence of what the banking business is all about: Someone or some organization has control of a pool of money that can (and must) flow, at a cost, to meet some need.*
>
> *Money flows from the pool to meet our needs – but somewhere in the process it all ends up back into the banking system.*
>
> *How much of the banking function do you control as it relates to your needs?*
>
> *Create your own banking system so that you can control 100% of your needs. Becoming your own banker! It is a procedure that requires long range planning.*
>
> *Your need for finance, during your lifetime, is much greater than your need for protection.*
>
> *This book is about how one finances the things of life.*
>
> *Wealth must reside somewhere. One can use dividend-paying whole life insurance to solve one's need for finance throughout one's life. Very high premium, dividend-paying, whole life insurance is the ultimate vehicle to produce such income.*
>
> *Life insurance is not a creature of any tax code. It is like-minded people contracting with one another to solve a financial problem."*
>
> *– Becoming Your Own Banker – R. Nelson Nash*

> *"Every household needs to go into the banking business, in addition to whatever other sources of income it enjoys.*
>
> *Once someone has built up a sufficient amount of saved capital in his "bank", he is ready to begin making loans to borrowers.*
>
> *The first customer is going to be the banker himself! The person practicing IBC will begin "lending himself" money when he needs to buy his next car."*
>
> *– How Privatized Banking Really Works – Lara & Murphy*

> *"If you are going to create a bank, you must first study the business so that you have a firm grip on what it is all about and feel that you can run such a business."*

Become Your Own Bank

"Next, you must get some Capital.

You are going to spend a lot of time and money in this phase of creating your bank.

You must make your bank known by inducing people to make deposits to your bank.

You are going to have to pay them something better than they are getting at their current banking connection.

A banker cannot make a loan unless he has a deposit.

When you start up a bank, you have to put in some capital. Then you get some deposits, and then you lend the deposits.

So you want a prudent relationship between the capital and the assets, between the loans and the deposits."

– Becoming Your Own Banker – R. Nelson Nash

So far it has been suggested that whole life insurance is a great tool with many desirable qualities. We have also stated that every day we finance everything we buy. We are all familiar with and participate in the banking function every day. The question is whose bank are we using? Who is getting rich in the process? To take control of your financial future we suggest that you consider BECOMING YOUR OWN BANK and taking control of the banking function so that you can capture the benefits of financing everything you purchase from funds that are working for you.

So rather than simply taking our word for it, let's now turn our minds to study the subject of what life insurance is and why this is the perfect vehicle to accomplish our stated objective of BECOMING OUR OWN BANK.

CHAPTER 6: WHAT IS LIFE INSURANCE?

"Life insurance is more than just the protection of economic responsibilities to family, business, some person, or entity. Life insurance should be the foundation to a financial plan."

- Life Insurance – Will It Pay When I Die? - By Thomas W. Young

> *"Life insurance is a legal agreement between the policy owner and the life insurance company. The policy owner agrees to make periodic payments to the insurance company. In turn, they agree to pay a sum of money, a "death benefit", to a beneficiary of your choosing if the person who is insured dies. You can also buy life insurance on someone other than yourself, as long as you have an 'insurable interest' in this person. The owner of the insurance policy must have a clear economic interest in the continued life of the insured person in order to be able to buy insurance on someone other than themselves."*
>
> *– Financial Independence in the 21st Century – Dwayne Burnell*

Many people generally have a negative view or association with the concept of life insurance. This is unfortunate and is typically due to a sales person who was desperate to "sell" a life insurance policy but could not adequately explain the merits of why one would want to buy it. Or else it is due to some misinformation obtained from listening to financial "gurus" who typically give the wrong advice when it comes to such an important subject. Also in the past there have been abuses from unscrupulous people in the industry. Some people have been victims of purchasing the wrong type of policy and have lost money in the process. Our hope is that you will keep an open mind and consider the merits of this tool which has been around for over 200 years and will see the benefits of something that banks and high net worth individuals have used as part of their financial estate planning for decades.

> *"Life insurance is a "love" not a "need" product because it fulfills, with love, the financial responsibility of the person who passed toward his or her loved ones who remain."*
>
> *"What can be done with love and vision is to own an adequate amount of life insurance."*
>
> *– A Path to Financial Peace of Mind – Dwayne Burnell*

Most people typically do not like to talk about life insurance because of one of the following reasons.

1.) They do not like to be reminded of their eventual death. Thinking or talking about dying is not a pleasant subject. Yet it is a reality that sooner or later will happen to all of us. So, it would seem it is best to prepare for it ahead of time, armed with the proper knowledge, so that we make the best decision to protect our hard earned wealth and our families.

2.) The traditional view of life insurance is that it is a benefit for someone else – typically our families and children – but it is a cost to us. We get to pay some money each month but will never see any benefit personally from such an expense. We are told we must do it out of "love" for our family. Although most of us do in fact love our families, it is still hard to commit to part with our money when we do not see or perceive any tangible benefit to us directly while we are alive.

3.) Many of the people who sell life insurance do not do a good job of explaining the pros and cons of various types of life insurance. They simply come across as pushy and want to “sell” us something we do not want. People will often accept to make an appointment either to get rid of the sales person or because they are suddenly told they have a terminal illness. That is too late! Most also do not know or understand the concept of using the policy as a bank.

4.) Many people who listen to financial “gurus” on tv are told that they should avoid buying permanent life insurance due to the “high commissions” that sales people will make. When they see the cash value of traditional whole life insurance policies vs. the amount of money “paid into” these policies it is easy to see that in the early years they are a “bad investment”. Some people are told they should instead “buy term and invest the difference” in mutual funds. This sounds good at first, but as we will show later on, all of these misconceptions are unfortunately not quite true, and could be depriving you of a very powerful tool that can help you achieve your financial goals.

The insurance industry is in fact an important institution. Its primary purpose is to help individuals spread the economic risk of unpredictable circumstances and events.

> *“The entire capitalist economic structure is built on the structural underpinnings of the insurance industry. Insurance is the foundation of our system.”*
>
> *– A Path to Financial Peace of Mind – Dwayne Burnell*

> *“Economic problems are best solved by people freely contracting with one another and with government limited to the function of enforcing those contracts.”*

> *“Dividend-paying whole life insurance is not compulsory.* ***It is not a government sponsored idea! It is private property!”***
>
> *– Becoming Your Own Banker – R. Nelson Nash*

HUMAN LIFE VALUE

To know how much life insurance a person should buy, it is necessary to understand a concept known as “Human Life Value”.

> *“Life insurance protects human life value.”*
>
> - *Life Insurance – Will It Pay When I Die? - By Thomas W. Young*

> *“Calculate a* ***human’s life value*** *by asking how much he expects to earn per year as an average and multiply that by the number of years he expects to work.”*
>
> *– Becoming Your Own Banker – R. Nelson Nash*

> *“The human life value concept is used to create a basic estimate of how much insurance will be needed to cover the economic loss of the insured person.”*
>
> *– Financial Independence in the 21st Century – Dwayne Burnell*

"Life insurance protects human life value by creating an estate. When the person who is covered by the insurance (referred to as the "insured") dies, a definite sum of money (called a "death benefit") is paid to the beneficiary."

– A Path to Financial Peace of Mind – Dwayne Burnell

"If you are insured properly, with coverage equal to your human life value, all your needs will be covered. Most people are grossly underinsured."

- Life Insurance – Will It Pay When I Die? - By Thomas W. Young

*"A person's **need for finance is much greater than his need for life insurance protection**. If he would solve for the need for finance through dividend-paying life insurance, he would **automatically** have much more life insurance and **recover all the interest he is now paying to someone else**."*

– Becoming Your Own Banker – R. Nelson Nash

"Insurance executives must invest the premiums of their customer prudently because some day the death benefit will have to be paid. Insurance companies maintain reserves for the payment of losses or claims and expenses. During the past 150 years, we have witnessed a cycle of boom and bust for the banking industry. But the insurance industry has maintained a tradition of paying its claims through economic good and bad times."

"Businesses purchase and own life insurance on key personnel as part of their business succession or continuity planning strategy."

– Financial Independence in the 21st Century – Dwayne Burnell

PARTIES TO CONTRACT
The parties to the whole life insurance contract are

- ***The Policy Owners* — The owner(s) control the money in the policy and also controls the designation of a single or multiple beneficiaries.**

- ***The Insured*** *— The insured doesn't have access to the money. The child must earn the right to become the life insurance policy owner as determined by the current policy owners(s).*

- ***The insurance company*** *— the company that manages the company, invests the premiums, commits to the death benefit, and pays out the death benefit to the beneficiaries.*

- **The Beneficiary —** The beneficiary is the person or party who receives the death benefit upon the death of the insured.

– A Path to Financial Peace of Mind – Dwayne Burnell

EXAMPLE: John, the policy owner and the insured, buys a whole life insurance policy from XYZ Life Insurance Company. The beneficiary is his daughter Jacqueline. The face value is $1 million. The death benefit is $3 million. The monthly premium is $1,000/mo.

A life insurance policy *"is a private contract. The terms of a policy are the rules or agreement with the insurance company. This means that unlike qualified plans that are subject to government jurisdiction and changing rules, the insurance company cannot change the rules (or terms) of the policy without the client agreeing to them."*

– Financial Independence in the 21st Century – Dwayne Burnell

PREMIUM

Every life insurance policy has a premium that you must pay on a regular basis. You decide whether that is monthly, quarterly, or annually. The premium is determined by the insurance company based on several factors including your age, your health, your sex, whether you smoke or not, and most importantly the amount of death benefit you want to protect your interests. Many people often ask, but how much does it cost? You get to decide what level of commitment you want to sign up for. If you only want $100,000 of coverage, you pay X, but if you want $500,000 of coverage, you pay 5X. If you want $1 million of coverage, you pay 10X. It's that simple. Yet the amount X that you pay will be different than what someone else pays because of the factors we mentioned – age, health, etc. The cost of the premium is NOT dependent on the income you make. But the maximum amount of coverage the insurance is willing to give you IS dependent on your income. You want to be careful not to get too little insurance, but you also don't want to get TOO MUCH and over commit yourself to a point where you cannot cover the premiums later on in life. You have to strike the right balance for yourself based on your financial goals and current condition. Never let anyone pressure you into any specific amount. You must sign up for something that feels right and comfortable to you. You must realize this is a life-long commitment and you must be willing to pay the price, but have peace of mind about it. Generally, you can always buy more insurance at a later date if you wish, assuming you are still healthy, but keep in mind it could be at a higher cost if your age or your health have changed. But if you buy too much, you may be stressing out about it at a later date if your income changes. The thing to remember is that with a BECOME YOUR OWN BANK policy after a few years, the policy can pay for itself. How? The dividends can grow to become larger than the premiums and thus you can direct those dividends to continue to pay the policy into perpetuity. But at least for the first 7-10 years you must be prepared to pay the premiums into the policy until it grows to the point where it can sustain itself.

> *"The premium is the money you pay the insurance company on a regular, periodic basis."*
>
> *"In the case of whole life insurance, "base premium" refers to the basic premium you must pay to keep the policy in force."*
>
> *"At any time the mechanics of the policy can be changed so that premiums can be self-funded from either the net cash value or the dividends (if declared annually). When you choose the latter option, you can actually access and use the value accumulated in the death benefit while you are living."*
>
> *– A Path to Financial Peace of Mind – Dwayne Burnell*

CASH VALUE

The cash value of the policy is the amount of money that would be available to you if you decided to cancel and forfeit the policy at any time. When you first start a whole life insurance policy, most of the money you pay into it the first year will go towards the start-up expenses, such as paying a commission to the salesperson. This will diminish the cash value of your policy. This is why many people will say that whole life insurance is a “bad investment”. But they simply are not looking at it in the proper way and don’t understand that this is a long-term commitment which is not supposed to “pay off” on day one. It’s no different than buying an exercise membership and complaining the first day that you haven’t lost 30 lbs and thus calling it a “bad investment”. Or no different than buying seeds to start an orchard, and because you haven’t seen fruit in a month, complaining that this was a “bad investment”. It takes time! But if you stick with it, and understand that this is a life-time commitment, it will yield fruit – much fruit and once you look back in time, you will be glad you did it. But to make it payoff you must have a long-term perspective. As you continue to pay premiums into the policy, the cash value will eventually begin to grow. As the years go by, the insurance company will declare and pay you dividends which will also help the cash value of your policy grow. The cash value and the death benefit are not the same, but they are related. The cash value is the value of the policy should you wish to terminate the policy today. The death benefit is the target or the goal of what the cash value of the policy will become at the point your policy is set to mature many years into the future. So it gives you an idea of what the cash value will grow into over time. When a person is alive they have access to the policy’s cash value to use it for many purposes as we explain. This is one of the many “life benefits” which people who buy term insurance don’t enjoy. When a person dies, their beneficiaries don’t get the cash value, they get the death benefit instead. Think of the cash value as the seed. The death benefit becomes the fruit.

> *“The policy’s cash value is a living benefit and is separate from the death benefit provided by the policy.”*
>
> *“The guaranteed cash value is the amount in the policy if the company were never to pay dividends.”*
>
> *– A Path to Financial Peace of Mind – Dwayne Burnell*

> *“Beyond the guaranteed cash values, the contract will also show projections of actual cash values, and the reinvestment of dividends into the purchase of additional insurance. The cash value of a whole life policy has a constantly rising floor.”*
>
> *“The cash value of a whole life policy at any given time, is computed as the present-discounted value of the death benefit, minus the present-discounted value of the “adjusted future premium flow”.*
>
> *– How Privatized Banking Really Works – Lara & Murphy*

DEATH BENEFIT

The death benefit is the amount of money that you want the insurance company to pay your beneficiaries should you pass away. This is the amount of coverage that most people sign up for when they decide to buy life insurance. This could be $100,000 or $1 million or $10 million. It is up to you and is dependent on what your needs and goals are. The insurance company will also determine whether they believe you can afford it if you ask for a large amount. But obviously the larger the death benefit you sign up for, the greater the commitment in premiums you are obligating yourself to as well.

> *"You purchase a death benefit of $1,000,000 for your beneficiaries by agreeing to a temporary lack of use of* (the premium of) *$5,000."*
>
> *– A Path to Financial Peace of Mind – Dwayne Burnell*

> *"With every passing year, the present value of the looming death benefit obviously increases, while the present value of the remaining stream of potential premium payments obviously decreases. This is why the cash value of a policy grows exponentially over time."*

> *"If the insured attains a high enough age (121 years for example) the growing cash value will have "caught up" with the growing death benefit. At that point the policy is completed, and the insurance company sends a check."*
>
> *– How Privatized Banking Really Works – Lara & Murphy*

DIVIDENDS

Insurance companies are able to pay out claims and the death benefits by collecting premiums on a regular basis. Each year, once they are able to assess the full extent of the claims paid out, and after putting aside a prudent amount for reserves, the company is able to declare a dividend. A dividend is in essence excess premium which is analogous to a profit or net income of a company. The insurance company will return this money to the policy holders. Since it is technically a "return of premium" it is non-taxable. Policy owners have various choices of what to do with this money as detailed below. But dividends is one of the primary ways that whole life policies grow over time.

> *"Once dividends are paid they become part of the cash value within your policy. Dividends grow tax deferred while in the policy."*

> *"With your money inside a participating whole life contract dividends are considered a return of premium and are not taxed while in the policy."*
>
> *– A Path to Financial Peace of Mind – Dwayne Burnell*

> *"Insurance companies base the dividend determination on the company's portfolio performance, mortality claims experience, and expense control. Once dividends are paid, they become part of the cash value within your policy. Dividends also grow tax deferred while in the policy."*

> *You can:*
>
> - *Have your dividend paid to you in cash*
> - *Use dividends to reduce your premiums*
> - *Use dividends to purchase additional insurance*
> - *Pay back an existing policy loan*
> - *Pay back just the interest on an existing policy loan*

"Choose to direct a portion of the dividends paid into the policy toward paying the required premium. This means you no longer need to make premium payments to keep the policy in-force. The policy becomes "self-completing". The option to allow a policy to self-complete also helps deal with unexpected life events, such as a job loss or change in health. Choosing the self-complete option for even a year or two before resuming premium payments can reduce financial pressure, keep the policy in-force, and allow financial flexibility simply unavailable in other financial products. Loans against the policy are tax-free income."

– Financial Independence in the 21st Century – Dwayne Burnell

"At the end of the year, the Life Insurance company makes an accounting of the experience that year of the death claims paid, the earnings on premiums collected, and the expenses of running the company. A dividend is declared which is actually a return to the policy owner of surplus premium that was collected. Hence, it is not an earning and, therefore, is not taxable."

*"Once a dividend is declared, its value is **guaranteed** from that point on. It can never lose value."*

*"The rate-makers are cautioned by the actuaries that "if we calculate that it would require $1.00 per year for a given plan, don't collect $1.00, collect $1.10. This extra $0.10 is the capital that makes the whole system viable. The accountants report that they had collected $1.10, but find that it took only $0.80 cents to deliver the promised death benefit in the future. This means the directors can make a decision with $0.30 cents. They need to put a part of this into a **contingency fund** to prepare for unexpected future risks. So, they put $0.025 into the contingency fund and distribute $0.275 and call it a "dividend".*

*"The correct classification is a **return of premium** or a return of capital which is not a taxable event in IRS terminology. If the owner uses the dividend to purchase Additional Paid-Up Insurance (no cost for acquisition, sales commissions, etc.) the result is an ever-increasing tax-deferred accumulation of cash values that support an ever-increasing death benefit."*

– Becoming Your Own Banker – R. Nelson Nash

"If dividends are reinvested back into the purchase of additional life insurance, the accumulating cash values are not subject to tax. If the owner elects to withdraw the dividend payments as income, these are tax-free up until the point at which the lifetime premium payments have been exhausted. The policyholder is only taxed on the dollars taken out of the vehicle, over and above the ones initially put in. (The reason is that the IRS treats these payments not as dividend or interest income, but as a "return of premium", because the policyowner was charged more premium than the insurer ended up needing, in order to meet its death benefit obligations.) A very significant tax advantage is that the entire death benefit goes to the beneficiary tax-free."

– How Privatized Banking Really Works – Lara & Murphy

"When that dividend is then used to buy additional paid-up insurance at cost, then the result is continuous compounding of an ever-increasing base."

– Becoming Your Own Banker – R. Nelson Nash

PAID-UP ADDITIONS - PUA

When investors buy dividend paying stocks in the stock market, often there is a feature where they can use the dividends paid to reinvest into automatically buying more shares. These programs are called Dividend ReInvestment Programs (DRIP). A whole life insurance has something analogous where the dividends declared each year can be used to buy additional amounts of what is called Paid-Up Additions (PUA). These PUA's are in essence a "mini-contract" which is paid one-time to buy additional insurance which also has a death benefit and also pays dividends. The benefit of buying PUA is that this will allow the cash value of the policy to grow much faster because of the compounding effect of having dividends buy up more insurance which in turn will pay greater dividends over time. It is a virtuous circle that will greatly enhance the policy over time. A life insurance policy that is designed to allow you to BECOME YOUR OWN BANK and is properly structured will enable you to have the capacity, but not the obligation, to buy additional Paid Up Insurance each year on a flexible basis. Some policies will even enable you to "backfill" previous years that were not utilized should you suddenly come across an unexpected large sum of money such as the proceeds of the sale of a property or a bonus at the end of the year. The nice thing about these PUAs is that there is no ongoing obligation to keep paying higher premiums over time and that the majority of the money used to buy them goes straight into the policy without having to lose its efficiency by paying out a commission on these additional amounts of life insurance.

> *"Paid up additions give you, the policy owner, the option to purchase additional insurance inside your life insurance policy. These paid up additions have cash values, earn additional dividends, and increase the death benefit."*
>
> *"The real value of using paid up additions is that you increase the amount of money that you put into your policy. The increase in the amount of money in your policy causes the death benefit and your cash value to compound."*
>
> *"Paid up additions add a tremendous amount of growth potential within the policy."*
>
> *– A Path to Financial Peace of Mind – Dwayne Burnell*

> *"Paid up Additions - Also referred as PUAs are additional amounts of fully paid-up life insurance that you can add to your existing whole life insurance policy. They have their own guaranteed cash value and non-guaranteed dividend and death benefit."*
>
> *"By buying these extra amount of additional life insurance you are able to increase the amount of money that you put into your policy and consequently, you increase the amount of money growing inside your policy."*
>
> *"Since paid-up additions are additional amounts of life insurance, they earn their own dividends. These dividends are then added to those paid to your existing policy. When you use the paid-up additions feature you are adding extra savings into your policy upon which dividends are then paid. Since you have more death benefit in your existing whole life policy, you receive a larger*

dividend payment. It's a circular increasing benefit. The more paid up additions, the larger your cash value and the more death benefit you have inside your policy."

"Your policy can also be designed so that your base policy dividend payments are used to purchase paid-up additions. You can make this a standard option of your policy design so that each year, your declared dividends automatically purchase more paid-up additions."

"The power of paid-up additions are fully paid-up additional amounts of insurance that increase the cash value and death benefit. A benefit of paid –up additions is that they are dividend eligible. The more paid-up additions you buy, the greater the potential dividend you receive annually. By customizing the policy to allow the purchase of paid-up additions, we designed a system for annual cash growth within the policy. The paid-up additions buy more death benefit and increase cash value, which in turn increase the dividends. The dividends go towards buying more paid-up additions the following year and the cycle repeats. The real value of using paid-up additions is that increases the amount of money that is going into the policy (over and above the base premium that is required to keep the policy in-force)."

– Financial Independence in the 21^{st} Century – Dwayne Burnell

"The death benefit grows over the years because all dividends in excess of the annual premium are used to buy additional paid-up insurance. This increase is all done on a tax-free accumulation basis. Taxation does not occur until the amount withdrawn exceeds the premiums paid into the policy."

– Becoming Your Own Banker – R. Nelson Nash

RIDERS

"Riders and policy ownership- riders are additional contractual options that you can have added to your life insurance policy. There is an additional cost to add a rider to your policy."

– A Path to Financial Peace of Mind – Dwayne Burnell

Below we show some of the more common riders that one could add to a policy at the outset.

Guaranteed Insurability Rider

"A guaranteed insurability rider allows you to purchase additional separate whole life insurance policies at specified ages of the insured's life without proof of medical insurability."

– A Path to Financial Peace of Mind – Dwayne Burnell

Waiver of Premium Rider

"The waiver of premium rider guarantees that if the policy owner becomes permanently disabled and is unable to pay the premiums for the policy they will continue to be paid by the insurance company."

– A Path to Financial Peace of Mind – Dwayne Burnell

"Of all the different riders that could be added, the most important in my opinion is the Disability Waiver of Premium."

"If you become disabled along the way to retirement and can't work anymore, who is going to put money into our 401K or IRA? Your employer won't keep paying into your plan because you have to have earned income to qualify for a contribution. You may have some disability income coverage, but you still can't afford to put money into your IRA since you're not working. You probably can't afford to save money either, since you probably have experienced a 30 to 50 percent reduction in income and will get no more pay raises."

"Instead of putting money into your 401K now, you postpone it for three or four years and pay the premium into a participation whole life policy. This policy includes the waiver of premium benefit, which continues to pay the premium should you become disabled and can't work any longer."

- Life Insurance – Will It Pay When I Die? - By Thomas W. Young

Accelerated Death Benefit Rider

"Accelerated death benefit rider allows for the pre-payment of a portion of the policy's death benefit when the insured is terminally ill or has an injury that will result in death within 12 months."

– Financial Independence in the 21st Century – Dwayne Burnell

Long Term Care Rider

Benefits derived from monthly payments taken from the death benefit.

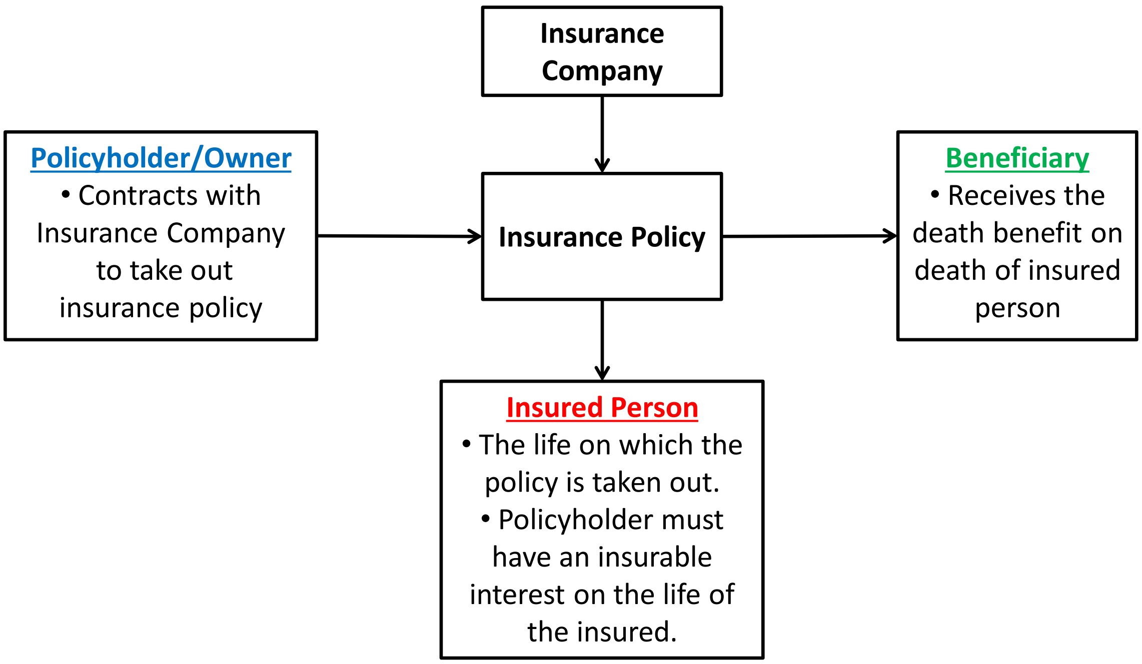
INSURABLE INTEREST

Life insurance may be purchased on someone other than the owner of the policy. The principle of insurable interest is that the person buying the insurance must have an incentive that the person being insured remain alive.

"It is possible to own an insurance contract on someone else: spouse, sibling(s), child(ren), grandchild(ren), niece(s), nephew(s), or business partner(s). A requirement of owning a policy on someone else is that you must have an "insurable interest" in that person. In other words, the policy owner must have economic interest in the continued life of the insured. The following figure illustrates the relationship between the policy owner, insurance company, and the insured."

– Financial Independence in the 21st Century – Dwayne Burnell

How Life Insurance Works



INTEREST
When one takes out a policy loan, it must be paid back with interest. The insurance company will set a minimum rate of interest. However, the policy owner has the right and opportunity to pay more interest than the minimum. This is what Nelson Nash advocates in order for the policy to grow faster.

> *"This interest is not really interest. Rather, it is additional premium (capital) that has been paid into the policy that equals the interest that was being paid to the lender. This is the reason that it is adding to the cost basis of the policy."*
>
> *– A Path to Financial Peace of Mind – Dwayne Burnell*

TWO TYPES OF INSURANCE – TERM AND PERMANENT
There are two basic types of insurance that insurance companies offer to their clients. The most common and cheapest is what is called Term Life Insurance. The other which requires higher premiums is called Permanent Life Insurance. We will now explore each of these in a bit more detail. Each has its pros and cons which should be properly understood by people considering buying a policy before they buy it. You should never let an insurance sales person talk you into buying any type of insurance unless you are clear what is the purpose or need met by the kind of insurance you are buying

as well as the risks, obligations, benefits and nuances to make sure that it is the right fit for your needs. Since you will be paying on this policy potentially for many years, similar to getting married, you should do your due diligence and not just simply buy the first one someone offers you. It will be well worth your investment of time so later on you will not regret having made the wrong choice and so you will not waste time or money.

> *"Insurance companies offer two basic types of life insurance in various forms: term life insurance and permanent life insurance."*
>
> *– Financial Independence in the 21st Century – Dwayne Burnell*

TERM LIFE INSURANCE

Term life insurance is like it sounds — for a set term or period of time. This will generally be something like 10 or 20 years. Over that time frame, the premiums will be the same. The best way to think of a term policy is that you are "renting" the death benefit.

> *"Term life insurance provides insurance for a stated time period."*
>
> *– A Path to Financial Peace of Mind – Dwayne Burnell*

The premiums are a function of the insured's age, health, etc. Term insurance will generally be lower priced in the early years of a person's life than permanent life insurance. This is why many financial gurus recommend that everyone should buy term and "invest the difference" in mutual funds and avoid buying permanent insurance. After all they reason why would you want to "pay more" when you are getting the same death benefit?

> *"Term Insurance - It's low cost because it's only in force for a clearly defined period of time and its purpose is not to provide any living benefits to the policy owner other than the death benefit."*
>
> *– A Path to Financial Peace of Mind – Dwayne Burnell*

On the surface this would appear to make sense. However, when you think a bit deeper, you will realize there are several fallacies with that way of thinking.

The main fallacy is that after the term policy expires, there is no guarantee you will qualify to buy another term policy. Why? Your health may have deteriorated for instance. Even if you do qualify, the cost will not be the same. Generally it will be higher – much higher since the probability of dying goes up over time. Thus the insurance company must keep that in mind when determining the premium it will charge to take on the risk of having to pay out the death benefit before the term policy expires.

> *"Term life insurance protect you for a specific "term". Term life insurance pays a death benefit if the person insured dies within the term covered by the insurance. Term life insurance premiums are level over the initial periods of the insurance. However, the renewed term life insurance policy will cost more and more each year. At some point in time, this type of policy may become too expensive to continue."*
>
> *– Financial Independence in the 21st Century – Dwayne Burnell*

These policies are designed to become increasingly more expensive until eventually the policy owner cannot afford them and voluntarily drops the policy. It is said that generally 98-99% of the term policies expire without paying out any benefits. This money is a 100% loss to the policy holder and 100% profit to the insurance company.

> *"Term insurance may be the most expensive life insurance you could buy. Why, because less than 1% is ever paid in death claim. You pay all the premiums and then when it does get more expensive you cancel the coverage by justifying you no longer need it."*
>
> *- Life Insurance – Will It Pay When I Die? - By Thomas W. Young*

> *"When life insurance began (over 200 years ago) it was all term insurance! It paid a death benefit if the insured died during the given time frame. So the insured persons paid ever-increasing premiums and finally quit because the premiums became prohibitive – and a few years later, they died!"*
>
> *– Becoming Your Own Banker – R. Nelson Nash*

Ironically, when you are most likely to need the insurance is when you will no longer be able to afford it. The main benefits to buying a whole life insurance policy are that the policy will not expire and cost of the insurance will not go up over time. Also that after a few years you will recoup the cost of the insurance whereas in term policies generally most of the time the money is gone forever.

> *"Life insurance companies created a plan for purchasing the single premium policy with a payment period that began with the current age of the insured and extending to the theoretical life span of 100 years."*
>
> *– Becoming Your Own Banker – R. Nelson Nash*

Obviously if the choice is having no life insurance vs. buying a term policy, then buying term is better than nothing. But rather than simply throwing our money away on a policy that has no life benefits and where we will see no benefit to the money we pay out, why not first consider the alternative which is a permanent or whole life policy.

> *"Think of term insurance premiums and the cost associated with term insurance, if you had participating whole life, the premiums paid for the term insurance would be recovered."*
>
> *- Life Insurance – Will It Pay When I Die? - By Thomas W. Young*

For people who are not in a position to afford a permanent life insurance policy, it is often possible to qualify for a certain death benefit via term life insurance, and then later convert it to a whole life insurance, and sometimes the life insurance companies will give you credit for the premiums already paid in.

> *"The truth is that term insurance should be used for short-term solutions to human life value goals until you can create enough wealth and cash flow to purchase participating whole life insurance."*
>
> *- Life Insurance – Will It Pay When I Die? - By Thomas W. Young*

PERMAMENT LIFE INSURANCE

The alternative to buying term life insurance is to buy permanent life insurance. There are different types of permanent life insurance:

- **Whole Life Insurance**
- **Universal Life Insurance**
- **Variable Life Insurance**

We believe only Whole Life Insurance lends itself well to implement the BECOME YOUR OWN BANK concept. **WARNING! We would strongly urge most people considering buying life insurance to avoid the other two – Universal and Variable Life insurance!** Below are a few of the key reasons.

> *"Most products today are not in your best interest, but are designed to be in the best interest of the insurance companies.*
>
> *Universal Life Insurance was used to replace good, permanent whole life types of insurance.*
>
> *Universal Life insurance is being sold under the guise of permanent insurance when it's only a savings account with term insurance deductions.*
>
> *Universal Life is a combination of annual term insurance and a savings element. The amount of cash value will determine usually for how long the policy will last or stay in force. As you get older the term insurance cost goes up, the premium is withdrawn from the cash value. If the cash value is not sufficient to pay the term cost your policy may terminate unless you pay in additional premiums.*
>
> *The cash value in whole life is sacred because it backs the guarantees. However, the cash value of universal life is a bucket of cash at the insurance companies' disposal.*
>
> *As long as you have money in the bucket, you have no problem with the policy. However, if the money runs out, as it will in many of the policies, you lose your money and the insurance.*
>
> *Many people have not only lost their money but many have also lost or will lose their insurance.*
>
> *Universal life could be the most profitable product the insurance industry sells."*
>
> \- *Life Insurance – Will It Pay When I Die? - By Thomas W. Young*

As we just discussed, there are many reasons why you should avoid universal and variable life insurance, but the primary reason is that the cash value of the policy will eventually be consumed by the cost of the premium in order to keep the policy alive. Also, we find that the promises of a "higher return" that these products pay by participating in some type of stock market index are generally overstated and definitely not worth the risk involved in losing everything you will put into these policies. When people say they have had a bad experience with permanent life insurance, generally it is these two types of policies they are referring to. Generally some uninformed or unscrupulous life insurance sales person who was only thinking of the commission they would make sold them this policy without fully explaining the risks and downside involved down the road. We say this upfront so that it is clear that in the remainder of this seminar when we talk about permanent life insurance we will be focusing on Whole Life Insurance only, structured properly to function as a bank. As we will point out in more detail it is imperative that you be properly informed of these key differences and that you work with a knowledgeable, reputable, experienced, and ethical life insurance agent who puts your interest ahead of theirs at all times, and who is willing and able to explain any questions you have and can address any concerns of how these policies work and both the risks and benefits involved.

WHOLE LIFE INSURANCE

> *"Life insurance for long term should always be permanent guaranteed participation whole life insurance. This type of insurance would have non-forfeiture values and would permit the contract to be paid up."*
>
> - *Life Insurance – Will It Pay When I Die? - By Thomas W. Young*

With that said, let's now move on to explain in more detail how whole life insurance works and why it can become the cornerstone of your lifetime financial strategy to BECOME YOUR OWN BANK.

1. **The Policy is a Legal Contract**. The first thing to understand is that a whole life insurance policy is a legal contract with obligations and responsibilities which the life insurance company must live up to as long as the policy owner pays his or her premiums on time.

   > *"The whole life insurance policy is a private, legal contract between the policy owner, the insured, and the insurance company."*
   >
   > *– A Path to Financial Peace of Mind – Dwayne Burnell*

2. **The Policy is Permanent**. In contrast to term life insurance, a whole life insurance policy lasts for the rest of the insured's life. It does not expire after a certain term or period of time.

   > *"Permanent insurance is intended to remain in force for the insured's entire life."*
   >
   > *– A Path to Financial Peace of Mind – Dwayne Burnell*

   > *"Permanent life insurance do not have a definite term and combine a death benefit with a "cash value" component. Cash value is the equity component of the insurance policy."*
   >
   > *– Financial Independence in the 21st Century – Dwayne Burnell*

3. **The Policy has 3 Key Guarantees**. There are three essential guarantees provided by the life insurance with a Whole Life Policy.

> *"Whole life insurance has guarantees that other types of insurance do not."*
>
> - *Life Insurance – Will It Pay When I Die? - By Thomas W. Young*

Three guarantees form the foundation of a whole life policy:
(a.) level premiums,
(b.) cash value,
(c.) death benefit.

– Financial Independence in the 21st Century – Dwayne Burnell

a. Level Premiums. Level premiums simply means that the cost of the policy, the premiums paid in each year, will not go up over time. They will remain level or flat for the rest of time. This is a key benefit and differentiating factor vs. a term policy since the cost of the policy will not go up after 10 or 20 years. Thus the policy will not expire and the money paid in will not be lost.

"The premium is the money you pay the insurance company on a regular, periodic basis to obtain a specific amount of insurance. The policy owner pays the premium."

"Whole life insurance offers level premiums and life insurance protection for as long as you live. All you have to do is pay premiums as required to keep the policy in-force. Whole life insurance can also provide what are referred to as "living benefits".

– Financial Independence in the 21st Century – Dwayne Burnell

b. Cash Value. The premiums the policy owner pays into the policy are what provides the capital that eventually becomes a key component of the cash value of the policy. The cash value is the amount of money the policy could be converted into if the owner decided to cancel it and cash it in. Often this is referred to as the "equity" in the policy. In the first year or two the cash value will be minimal since most of the money paid into the policy is used by the insurance company for start up costs including paying out a commission to the agent. However, beyond the initial start-up phase the premiums paid in continue to accumulate and increase the cash value of the policy. After a few years as the company declares dividends, the cash value will eventually surpass the total premiums paid in. The cash value is the portion that is available down the road for policy loans and will provide the basis for most of the "living benefits" that are part of using a life insurance policy to BECOME YOUR OWN BANK.

"The premiums create a growing cash asset, referred to as the policy's "cash value". The policy's cash value is a living benefit. Participating whole life policies have a guaranteed cash value and non-guaranteed dividends. You can access the cash value you have accumulated, at any time and for any reason, generally with no penalty or tax liabilities."

– Financial Independence in the 21st Century – Dwayne Burnell

"A whole life insurance policy allows the owner to accumulate "equity" in the policy, as long as he continues making premium payments."

– How Privatized Banking Really Works – Lara & Murphy

"Whole life policy benchmark 1: the net cash value of the policies are increasing by more than the amount of premium paid."

"Whole life policy benchmark 2: at a certain time in the policy the net cash value will equal or exceed the net cumulative premium in the policy. At this time you now have recovered all the money you paid into the policy. In addition to the net cash value of your policy, you also have a growing death benefit. This is a real asset that will be passed on to your beneficiaries and will help them in their lives."

– A Path to Financial Peace of Mind – Dwayne Burnell

c. Death Benefit. The policy owner contracts with the insurance company for a certain death benefit. For example let's say this was $1 million. This is the amount of money the insurance company is obligated to pay out to the beneficiaries when the insured dies. The purpose of the premiums is so the insurance company can invest this money to eventually pay out the death benefit, which is a guarantee. Unlike other types of insurance where the insurance company is hoping it never has to pay out, here the death benefit is a for sure thing. The only question is the timing of when it will have to pay it out.

"A participating whole life policy has a guaranteed death benefit. The death benefit provided by the policy is disbursed to beneficiaries when the insured dies."

– Financial Independence in the 21st Century – Dwayne Burnell

"Because the insurance company knows that it will ultimately have to pay a large sum on a whole life policy – either to the named beneficiary when the insured dies, or to the policy owner when the insured attains the required age and the policy is completed – the company needs to wisely invest the stream of premium payments to make sure there is sufficient wealth to meet its contractual obligations."

– How Privatized Banking Really Works – Lara & Murphy

Now that we have covered the basics that define what a permanent Whole Life Insurance policy is, let's now look at other attributes that are desirable and necessary qualities of the right type of policy that will function properly and will allow you to BECOME YOUR OWN BANK.

Participating Whole Life. Participating means that the policy pays dividends on a regular basis. These dividends are generally not guaranteed, but the insurance companies that are recommended to help you BECOME YOUR OWN BANK have a long-term history and track record, generally at least 100 years, of never missing paying out a dividend. This gives you some idea of how stable and conservative these companies are.

"Permanent participating whole life insurance policy – the term participating is used to describe any insurance policy that pays a dividend to its policy owners."

– A Path to Financial Peace of Mind – Dwayne Burnell

Mutual Life Insurance Companies. There are two basic types of insurance companies – those owned by shareholders and those owned by the policy holders. These latter ones are called Mutual life insurance companies. The reason it is recommended that you only get a policy from a Mutual life company is that you own a part of the company by being a policy owner. This means they will have your best interests in mind and you will benefit not just as a policyholder, but also as an owner. You will participate in the profits of the company.

> *"With respect to whole life insurance contract, mutual companies are able to keep more clearly focused on the benefits for their policy owners because of the singularity of their stated mission which is simply to protect the long-term interests of the policy owners."*
>
> *– A Path to Financial Peace of Mind – Dwayne Burnell*

Benefits of Participating Whole Life Insurance. One of the main benefits of having a participating whole life insurance policy as the cornerstone of your lifetime financial strategy to BECOME YOUR OWN BANK is that the results are fairly predictable. They are not correlated to the stock market and thus are not susceptible to the volatility and risks that go with being in the market – having the value of your account go up and down all the time. This steady performance and predictability offer a steady anchor in an uncertain world. This is exactly what you want for the portion of your finances that is supposed to be your Savings. With your investments you can afford to take risks of making a lot or losing a large part of your capital. But you can't afford to do this with your Savings which will eventually be there for you for when you retire and which will help you finance all the major purchases and needs of life.

> *"The performance and value of a whole life insurance policy are not correlated to the stock market. And it is guaranteed by the insurer. This means that the cash value and death benefit are not affected by declining markets. As long as premiums are paid, the policy is guaranteed to continue and your cash value will increase. The living benefits of whole life insurance make it one of the most valuable and flexible financial planning tools available. Permanent participating whole life insurance as a financial tool and as the cornerstone of a lifetime strategy."*
>
> *– Financial Independence in the 21st Century – Dwayne Burnell*

> *"Think of a permanent life insurance contract as a thirty year, fixed mortgage that pays you. It's a lifelong financial instrument with guaranteed predictable results. The predictability is guaranteed for life. The whole life contract is built so the cash value never decreases over the life of the contract. The cash value is guaranteed not to decrease as long as premium payments are made, no withdrawals are made, and any loans are repaid to the policy with interest."*
>
> *– A Path to Financial Peace of Mind – Dwayne Burnell*

How Reliable is Life Insurance?

Many people when they first hear of all the benefits associated with whole life insurance immediately say,

> *"If participating whole life insurance works so well, why is it that this powerful financial tool isn't well known or used by the general public?"*
>
> *– Financial Independence in the 21st Century – Dwayne Burnell*

Or they will say, "well when I was younger I bought life insurance but it was a waste of money or it was a scam." Sadly, many of these folks were duped into buying the wrong kind of insurance. This has put a bad taste in their mouth or else they are skeptical whether it can truly be this good. But before we end this section we want to leave you with two key observations to meditate on.

> *"Five of the six largest banks in the world own significant amounts of high cash value permanent life insurance."* This is typically called BOLI – Bank Owned Life Insurance.
>
> *"Banks have chosen, with precision and scientific analysis, to invest a very large percentage of their assets and critical reserves prudently into permanent life insurance, and other high quality liquid assets such as gold bullion."*
>
> *– A Path to Financial Peace of Mind – Dwayne Burnell*

Just because the masses haven't heard of something good, it doesn't mean it's not true. It just means people have been robbed of an opportunity to build up a valuable asset. Could it be that perhaps others have a vested interest to keep them uninformed so they could be "financial slaves" the rest of their lives? And just because you had a bad experience with something or someone, it does not mean you should not become better informed and better prepared and try again. Imagine what would happen if each time people who had a bad experience with something decided to never try it again? That is no way to live.

ERRONEOUS TRADITIONAL VIEWS OF LIFE INSURANCE

Perspective is the lens we use to analyze a situation or how we look at life. Often times if our perspective changes we can completely transform the way we look at something. For example, someone could view their life as being boring, tedious, a drag, and unrewarding if they didn't like their job. Yet they stay in it because they have to pay the bills. They find it hard to get out of bed in the morning and get excited about life because they don't perceive much of a benefit to themselves. Yet imagine what would happen to that same person if they were to find out that the owner of the business would soon pass away and wanted to leave him as the heir to his fortune and his business, but that the only condition is that he had to demonstrate how well he could manage it for a month by being the first to get to work and doubling his sales. Now all of a sudden would that person's attitude change? Would he now get excited to wake up early in the morning, go to work, demand the most of himself and others? Would he be unmotivated to go and talk to more prospects to get more sales? What changed? Only his perspective.

It's the same with life insurance. When we think of it as a "sacrifice", as a drag, as a cost, with no benefit to us, we are not too motivated to get it. In fact, it's something many of us avoid because we don't want to think of what it really means – that one day we will die. And even worse, we become less motivated if we think we are sacrificing to "make someone else rich". But as we will see that is the wrong perspective.

> *"Most of us view life insurance as an unpleasant but necessary expense. We purchase life insurance for the death benefit. Purchasing life insurance can also be an uncomfortable reminder of our own mortality. This approach reinforces the viewpoint of life insurance as a necessary expense." – Financial Independence in the 21st Century – Dwayne Burnell*

Some people buy the minimum possible life insurance because they don't see what's in it for them. They do it out of a sense of responsibility or love – especially if they have a young family. Others who don't have a family do not see the point of why they would want to get it. It's all a matter of perspective.

Still others have been programmed to think – Whole Life Insurance is bad – "it costs too much" and the salesmen are "greedy" – they make a "huge commission." This viewpoint has been propagated by financial "gurus" who simply do not understand the "living benefits" that a BECOME YOUR OWN BANK policy offers you.

BUY TERM AND INVEST THE DIFFERENCE??

Instead these same people advise their viewers to avoid whole life insurance and instead get only term life insurance for a short period of time until the kids grow up. They have been programmed to think – "Buy Term and Invest the Difference in Mutual Funds". After all those mutual funds supposedly pay 10% or 12% per year. It seems no one has told them that in the last 20 years that is not the case at all as we demonstrated previously. Or could it be that perhaps they have other reasons for pushing a term life insurance policy on people? Always follow the money!

- *"The "Buy term and invest the difference" advice does not account for the impact of variable rates of returns, capital loss, and the impact of sales commissions and fees. Often what happens is that people don't invest the difference, they spend the difference. So they end up with a term policy that ends at 65, no life insurance, and no investment asset."*
- *"This is the untold story many people face with the expiration of term life insurance policies. Just when you need it most, your term insurance policy may not be there."*

  – Financial Independence in the 21st Century – Dwayne Burnell

"The most common marketing ploy for term insurance tells us to buy term insurance rather than cash value insurance and invest the difference. If that's such sound advice, why don't we apply the wisdom more often? For example:

- *Buy folding chairs, not a couch, and invest the difference.*
- *Buy a push mower, not a power mower, and invest the difference.*
- *Buy a bicycle, not a car, invest the difference.*
- *Buy a shovel, not a snow blower, invest the difference.*
- *Buy a pet, don't have kids, and invest the difference.*
- *Buy scissors, cut your own hair, and invest the difference.*
- *Stay at home, don't take the spouse out, and invest the difference.*
- *Move back in with your parents, sell your house, and invest the difference.*
- *Visit the mall, instead of taking a vacation, and invest the difference.*

It seems this philosophy works with everything! Simply, extract value, and invest the difference."

–Learning to Avoid Unintended Consequences – by Leonard A. Renier

Unfortunately when people listen to the wrong people who pretend to be experts but are simply uninformed, they will end up losing not only their money, but more importantly their time. Once the time is gone, you cannot get it back. And when it comes to securing your future and making the most of a BECOME YOUR OWN BANK financial strategy, starting early is one of the smartest decisions you will ever make and your best asset because time is on your side. The longer your money can work for you, the less it will cost you and the more it will be able to produce for you.

How to Turn $1,000/Month into $10 Million. Consider the illustration below. Here we assume a person deposits $12,000 per year ($1,000 per month) into a fund that compounds continuously at a 4% per year rate.

Interest Rate	Years Invested	One Time Investment	Cumulative Invested	Cumulative Value
4%	0	$ 12,000	$ 12,000	$ 12,000
	1	$ 12,480	$ 24,000	$ 24,480
	2	$ 12,979	$ 36,000	$ 37,459
	3	$ 13,498	$ 48,000	$ 50,958
	4	$ 14,038	$ 60,000	$ 64,996
	5	$ 14,600	$ 72,000	$ 79,596
	6	$ 15,184	$ 84,000	$ 94,780
	7	$ 15,791	$ 96,000	$ 110,571
	8	$ 16,423	$ 108,000	$ 126,994
	9	$ 17,080	$ 120,000	$ 144,073
	10	$ 17,763	$ 132,000	$ 161,836
	20	$ 26,293	$ 252,000	$ 383,630
	30	$ 38,921	$ 372,000	$ 711,940
	40	$ 57,612	$ 492,000	$ 1,197,918
	50	$ 85,280	$ 612,000	$ 1,917,285
	60	$ 126,236	$ 732,000	$ 2,982,124
	70	$ 186,859	$ 852,000	$ 4,558,345
	80	$ 276,598	$ 972,000	$ 6,891,537
	90	$ 606,059	$ 1,092,000	$ 10,345,232
	100	$ 1,327,951	$ 1,212,000	$ 15,445,544

After 1 year, the original investment would be worth $12,480 = $12,000 deposit plus the 4% of interest or $480. If all that person would do is leave that one time investment invested to compound year after year, after 10 years this amount would now be worth $17,763. After 20 years it would be worth $26,293. And so forth. After 100 years it would be worth $1.3 million or over 100x the original amount invested. This illustrates the power and benefit of investing at a compound rate over a long period of time. However, now suppose instead of making a one time investment of $12,000, now watch what would happen if this person were to invest another $12,000 each successive year and let that money compound also at a 4% annual rate. After 10 years, the amount of money deposited would

be $132,000. However, the value of that investment would be $161,836, nearly 10x the value of simply investing the original amount. After 20 years, the total deposits would be $252,000, but the value of that investment would be $388,630. After 50 years the total deposits would be $612,000, but the value of the investment would be $1.9 million or over 3x the capital invested. If we go out 90 years, the total deposits would be a little over $1 million, yet the value of that investment compounded at a 4% annual rate would be over $10 million – or 10x the capital invested!
That is how we turn $1,000/month into $10 million.

Obviously there are a few key assumptions and observations one must make.

1. **Time Invested**: The earlier this process starts the more the money can grow.

2. **Consistency Requires Vision**: The discipline of saving and investing $1,000 consistently month after month, year after year, decade after decade requires a long-term vision and understanding of the end goal.

3. **The Power of Compound Interest**: Many people chase after high returns in the stock market, year after year enduring the volatility of the ups and downs of the market. All along people dismiss getting a 4% steady rate of return in favor of the 10%+ annual returns they are promised. Yet if you study the returns in the stock market we can see that they are never consistent. Some years are up, some years are down.

Just to show that consistent compound returns, even if they are apparently small are better than larger but inconsistent returns we ran the same example portfolio, but this time, we assumed 7 years of positive returns followed by 7 years of negative returns – a more realistic assumption that mimics a boom-bust economy. In the positive years we assumed the first year the return is 5%. In the second year 10%. In the third year 15%. In the fourth year 20%. Then the economy starts to slow down in the fifth year with a 15% return. In the sixth year a 10% return. Lastly in the seventh year a 5% return. In the eight year the market is flat. Then the recession hits. In the 9th year, the market falls 5%. The following year it falls 10%. The 11th year it goes down 15%. In the 12th year the market crashes falling 20%. The next year it falls only 15%. Then after that it is down only 10%. Then just 5%. Finally, the next year the market is flat. Then the recovery begins again. If we were to invest the same $12,000 per year we can now see that under such more realistic assumptions, the end result is vastly different.

Years Invested	One Time Investment	Cumulative Invested	Cumulative Value
0	$ 12,000	$ 12,000	$ 12,000
1	$ 12,480	$ 24,000	$ 24,600
2	$ 12,979	$ 36,000	$ 39,060
3	$ 13,498	$ 48,000	$ 56,919
4	$ 14,038	$ 60,000	$ 80,303
5	$ 14,600	$ 72,000	$ 104,348
6	$ 15,184	$ 84,000	$ 126,783
7	$ 15,791	$ 96,000	$ 145,122
8	$ 16,423	$ 108,000	$ 157,122
9	$ 17,080	$ 120,000	$ 161,266
10	$ 17,763	$ 132,000	$ 157,139
20	$ 26,293	$ 252,000	$ 291,935
30	$ 38,921	$ 372,000	$ 269,481
40	$ 57,612	$ 492,000	$ 703,852
50	$ 85,280	$ 612,000	$ 509,743
60	$ 126,236	$ 732,000	$ 665,414
70	$ 186,859	$ 852,000	$ 1,171,587
80	$ 276,598	$ 972,000	$ 796,247
90	$ 606,059	$ 1,092,000	$ 1,485,477
100	$ 1,327,951	$ 1,212,000	$ 1,600,623

This illustrates that in some years the value of the investment will be higher than the capital invested. But in other years it will be less. In those years, one is likely to lose hope and most probably the goal becomes to simply get back to break even. That is generally when people abandon their long-term plans to invest. The main point of the two illustrations shown above is to demonstrate that a consistent positive compound return is better in the long run than a potentially higher return that can be both positive and negative.

A Comparison of Term vs. Whole Life Insurance

In the following illustration, we will compare two twin brothers – Will and Tom. Each gets life insurance. But because they have different financial advisors, they each take a different approach. Tom buys only term life insurance and "invests the difference". Will buys a whole life insurance policy. Who do you think will end up ahead?

> *"A comparison of whole life versus a cheaper term insurance policy. Suppose Will and Tom are identical twins who are 30 years old. Will opts to buy a whole life policy with a million dollar face value, while Tom decides to buy a 20-year term policy carrying the same death benefit. It's true Will's premiums will be much higher than Tom's, and it's also true that Will's accumulating cash values will be quite modest the first few years of the policy. If Will and Tom compare notes at age 35, Tom would feel that he made the clearly superior choice in opting for term insurance."*

"However, let's jump ahead to age 50. At this point, the accumulated wealth of the twins (we'll suppose) is roughly the same; Will's whole life policy has become much more efficient as it matured, while Tom was able to use the savings on his cheaper premiums in order to build an investment portfolio that appreciated after taxes about the same as Will's cash values."

"But there is one major difference between the two brothers now that they have used their respective strategies for two decades: Will can continue paying his level premium – the same one he began paying at age 30 – and keep his life insurance policy in force, until the day he dies. Tom, on the other hand, will probably not renew his expiring term policy. Particularly if he has had any health problems, at age 50 Tom would find it very expensive to obtain a new term life insurance policy. So even if Tom happened to have more wealth to his name at age 50, that alone wouldn't be decisive, because Will could easily maintain his insurance coverage while Tom could not. For example if both brothers died in a car accident at age 51, clearly Will's widow will be much better off than Tom's widow."

"The glib advice of "buy term and invest the difference" overlooks many important real-world considerations."

– How Privatized Banking Really Works – Lara & Murphy

WHY CASH VALUE LIFE INSURANCE IS BETTER THAN TERM?

In Leonard Renier's book Learning to Avoid Unintended Consequences, he gives an excellent comparison of buying Term vs. Cash Value life insurance.

He says,
"Renting an apartment is cheaper than buying a home, on a month-to-month basis. But if you evaluate this scenario on a long-term basis, 20 years down the road, the house has built equity, while the apartment gives you nothing in return. Although rent may be cheaper, it doesn't build equity.

The same can be said about term insurance. Term insurance is like renting, while cash value insurance is like owning since you build equity.

If you would like to recapture the dollars you paid in premiums for insurance, own it, don't rent it."

Then he compares a 46 year old male, in good health, who doesn't smoke. This person applies for a insurance policy with a $250,000 death benefit.

Analysis of Total Term Policy Costs
"First he buys a 10-year policy and pays an annual premium of $345/yr. So he pays a total of $3,450 in premiums. After this expires he buys another 10-year policy, but the premium goes up to $697/yr. This is an additional $6,970 in premiums. Assuming he is in good health, at the age of 66 he buys a third 10-year term policy. Now he pays $1,835/yr. This represents an additional $18,350 in premiums. Finally, from age 76-80 he pays $7,870 per year or $39,350 in premiums. Adding all this up this man

pays a total of $68,125 in premiums over 35 years. Had he been able to invest that money and earned a 7% compounded annual rate of return he would missed out on $65,138 in lost opportunity costs. His total cost would be the sum of these two figures:

$68,125 in PREMIUMS
+ $65,138 in LOST OPPORTUNITY COSTS
$133,263 of TOTAL COST

Analysis of Total Cash Value Policy Costs
This time we assume that this same man would have bought a whole life policy with a $250,000 death benefit. This time the premiums would be $5,718/yr. In the first ten years he would have contributed $57,180 in premiums. By age 65 he would have paid in $108,642 in premiums. However, by this time, the policy can become self-funding because the cash values generate a sufficient dividend to keep paying the annual premiums, so the cash value continues to grow.

So just in terms of premiums alone, the Cash Value policy would cost $40,517 more in premiums.

$108,642 in CASH VALUE PREMIUMS
- $68,125 in TERM PREMIUMS
$40,517 DIFFERENCE

At first one might think that the term policy is better. But now consider this analysis.

"Over this period of time, the cash value in the whole life policy has grown to $357,908 at age 81. One might come to the conclusion that paying an extra $40,517 in premiums over the 35 years netted you $317,391 ($357,908 cash value minus $40,517 difference in premiums). Remember also that the values in the cash value policy have grown tax-deferred and can be taken out of the policy tax-free by borrowing values or withdrawing the basis. Consider how much money you would have to have in a 401(k) to net $357,000 after taxes. Probably about $500,000. The whole life, cash value policy, financially, is a much better buy.

There is another major consideration. Assuming the man dies at age 81. The term policy would have paid out $250,000 to his beneficiaries. The whole life policy would have paid out $485,000. That's $235,000 more tax-free dollars to the beneficiaries than the term policy would have paid out. Which policy was the better buy? At age 80, a $485,000 death benefit in a term insurance policy would have an annual premium of $43,500."

CONCLUSION – TERM VS. WHOLE?
So, is term insurance cheaper over the entire lifetime of someone compared to cash value insurances? NO. Is term insurance cheaper for a short period of time. YES! Does term offer additional benefits other than the death benefit? NO. Can cash value policies be a financial tool? YES. Do investment people and insurance companies recommend term insurance? YES. Because it will be profitable to you? NO. Profitable to them? YES. There, see how easy that was?"

Learning to Avoid Unintended Consequences – Leonard A. Renier

CHAPTER 7: THE INFINITE BANKING CONCEPT – BECOME YOUR OWN BANK AS THE CORNERSTONE OF YOUR FINANCIAL PLAN

Hopefully by now you are more convinced that the "conventional wisdom" that you should never buy whole life insurance because it's a "bad investment" and that you should only "buy term and invest the difference" may in fact not be such sound advice after all.

> *"You don't have to accept the late 20th century paradigm which encourages us to transfer control and responsibility of our financial lives to others."*
> *– Financial Independence in the 21st Century – Dwayne Burnell*

Before you listen to someone, always check whether the person giving you the advice knows what they are talking about and how well it has worked for them.

> *"Cheap advice is always the most expensive. Always pay well for the best advice because it ends up being cheaper in the long run. I can safely say that every single time I've failed it has been because I either found the cheapest advice or didn't take any advice at all."*
> *– Reuben Singh, british entrepreneur*

Hopefully you are now convinced that you need to BECOME YOUR OWN BANK. If so, you are probably asking yourself, "Just how do I get started?" We would now like to explain in more detail the proper way you should set up a policy that can help you BECOME YOUR OWN BANK.

> *"The very first principle that must be understood is that you finance everything that you buy – you either pay interest to someone else or you give up interest you could have earned otherwise."*
> *– Becoming Your Own Banker – R. Nelson Nash*

Having understood this, and accepted that you should make yourself rich rather than someone else, we now explain how to do this.

HOW TO START BUILDING YOUR OWN BANKING SYSTEM

> *"There is a way to accomplish the creation of your own banking system and the mechanism has been around for over 200 years. It is tried and true. It is called participating (i.e. dividend paying) whole life insurance."*
> *– Becoming Your Own Banker – R. Nelson Nash*

> *"Use a participating whole life policy as the cornerstone of your financial plan."*
> *– Financial Independence in the 21st Century – Dwayne Burnell*

> *"Creating your own banking system through the use of dividend-paying life insurance is much like co-generation. All the ingredients are* ***already there in place****. All you have to do is understand what is going on in such insurance plans and tap into the system."*
>
> *"CREATE AN ENTITY – A plan – which you control and it makes money on your loans. One such entity can be a life insurance plan. Life insurance companies hire actuaries who design plans of insurance and then market those plans through agents."*
>
> *"You can get to money from life insurance companies through policies that you own. The only thing that limits how much you can get to is the same thing they tell you at the bank when you ask them how big of a check you can write –* ***how much have you put in?"***
>
> *"You need to increase life insurance premiums dramatically to create a pool of cash values from which to borrow to pay off the bankers that you owe."*
>
> *– Becoming Your Own Banker – R. Nelson Nash*

CREATING YOUR OWN BANKING SYSTEM THROUGH DIVIDEND-PAYING LIFE INSURANCE

We will now explain How this works and Why it works. The first thing you need to realize is that when you buy a policy from a mutual life insurance company, you as a policy holder become an owner of the company. This means the people who work for the insurance company are in fact working for you. Their goal is to make sure that they invest the premiums paid into the policy to the best of their ability knowing that one day they will need to pay out the death benefit to your beneficiaries.

First let's think about how a traditional bank works and then we will better understand the analogy using a life insurance company. Think of this as a play where there are multiple characters. You need to understand the role each plays so that you get how each fits into the overall big picture.

> *There are several "characters in the play" that must be considered.*
>
> - *The stockholder or owner of the bank – earns dividends.*
> - *The C/D holder who deposits money – earns interest.*
> - *Administrators at the bank (hired help) – earn salaries*
> - *The borrower of money. An absolute necessity in the whole scene. Nothing happens without him. He pays for the whole works above.*
>
> *– Becoming Your Own Banker – R. Nelson Nash*

In a life insurance company we have similar characters.

- The owner of the policy – in a mutual life insurance company the owners are its policyholders. Profits are rebated to the policy holders in the form of dividends.
- The owner of the policy acts as a depositor – he pays the premiums into the policy which makes the contract work.

- Administrators – the employees of the life insurance company are paid to manage the premiums being paid in and to pay out claims.
- The borrower of money. Similarly nothing happens without him. He pays for the whole thing by borrowing money and paying it back with interest. This could be any entity where the insurance company chooses to lend or invest or the policy owner if he/she chooses to access the money via policy loans.

A life insurance policy is a contract between you and the life insurance company. You agree to pay premiums and they agree to pay out a death benefit to your beneficiaries.

> *"It is the Stockholder (or Bank Owner) that makes all the difference. This is the party that puts up all the capital to start the business and earns the rewards or suffers the loss."*
>
> *"To make the plan work the Owner must make payments into it and the Company (hired help)* ***must put the money to work*** *in order to produce the benefits that are promised."*
>
> *– Becoming Your Own Banker – R. Nelson Nash*

Having understood this, the next thing you need to understand and realize is key.

THE OWNER IS IN CONTROL – THIS IS THE KEY!

> ***"You are the owner of the contract – not the company****. The Owner is the most important character in the scene."*
>
> *"In the case of a life insurance policy, the Owner of the policy outranks every other place that an insurance company must put money (the equity in the Owner's policy) to work."*
>
> *"When someone buys one of these plans, the contract is very specific to point out who* ***owns*** *the plan (or policy). It is* ***not*** *the insurance company! The company is simply the administrator of the plan and must collect premiums – and* ***must*** *lend money out or make investments of one kind or another in order to be able to pay the death claims promised. Money is lent to any number of places and types of borrowers, including the owner of the policy if the owner so desires. The amount of money available to the owner is the entire equity in the policy at the time. In the hierarchy of places where money is lent, the owner ranks* ***first****. That is absolute CONTROL!"*
>
> *– Becoming Your Own Banker – R. Nelson Nash*

Read that again

> "The ***Owner outranks every potential borrower in access to the money that must be lent!"***
>
> *"This amounts to* ***absolute control*** *over the investment function of the company. Money can be lent to the other places* ***only if the Owner of the policy*** *does not exercise his option to use the money (and pay interest) instead."*

Become Your Own Bank

*"The policy-owner outranks all other possible borrowers from the life insurance pool of cash values that **must** be lent to someone in order for the plan to work."*

– Becoming Your Own Banker – R. Nelson Nash

If you can grasp the depth of this concept, then you will have understood why a whole life insurance contract can work for you as the cornerstone of your financial plan and strategy to achieve financial freedom!

As an Owner of the policy, you as the main Depositor are responsible to put premiums (deposits) into the policy (a.k.a.YOUR BANK) so that the insurance company can put the money to work for you. However, as the Owner of the bank you get to decide how that money is invested. If you need money to finance the things you buy, rather than using someone else's bank, doesn't it make sense to become your own best client? Who would you rather lend to – someone else or yourself? As a borrower, who would you rather borrow from and send your interest payments to? Someone else's bank or your own?

Now you can see that as a Borrower, you can also choose who you give your business to. If you are getting what we are saying, you will realize that rather than borrow from a commercial bank and pay them interest, you can consciously decide to use the money that the insurance company MUST invest and put to work, to benefit you instead. The interest payments you would have paid anyway, you can pay them to your own insurance policy instead.

You need to see this from two perspectives – as the Owner of the bank, and as the Client of the bank. On the one hand, you are creating an asset that will last you a lifetime (YOUR OWN BANK). On the other hand, as a Borrower, you are choosing to send your hard earned earnings and interest payments to yourself! Why make someone else rich, when you can make yourself rich instead?!

BECOME YOUR OWN BANK and cut out banks from your life forever!!

Once you cut out banks out of your life, you will experience true freedom! And when you realize just how powerful BECOMING YOUR OWN BANK can be, you will start to see that this policy can help you in many areas of your life. It's a very powerful and versatile tool. It can help you replace your 401(k), IRA, savings account, CD's, 529 college savings plan, line of credit, etc.

"You can use a participating whole life insurance policy as a savings vehicle, credit facility, college savings plan and a supplemental retirement plan. With this financial tool as the foundation of your lifetime strategy, you can optimize the efficiency of your money while achieving financial independence."

– Financial Independence in the 21st Century – Dwayne Burnell

Always keep this in mind. As Robert Kiyosaki says, "If you want to become rich, acquire assets. If you want to become poor, acquire liabilities". If you BECOME YOUR OWN BANK, this will be the best asset that will help you become debt free and eventually financially free.

Become Your Own Bank

"Most people acquire liabilities, car loan, credit cards, student loan, mortgage (bank assets). Yet we should acquire assets, Build your own bank life insurance, investment account, real estate (pays rent or it appreciates)."

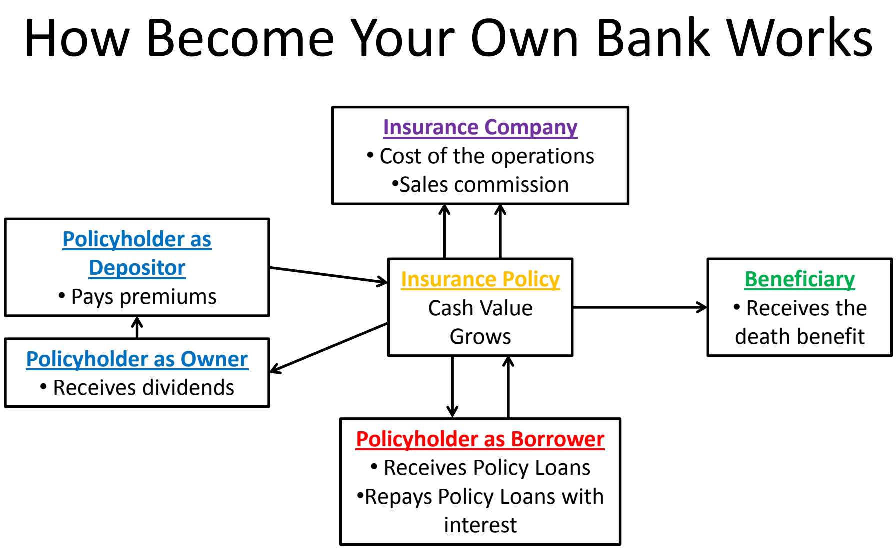
– Financial Independence in the 21st Century – Dwayne Burnell

THE MECHANICS OF HOW IT WORKS TO BECOME YOUR OWN BANK

Now that we understand that we are playing two critical roles as both Owner of the policy and as Borrower from "our own bank" rather than someone else's, let's dig a little deeper to understand the other parts of how it all works to come together.

"The Infinite Banking Concept is an exercise in imagination, reason, logic and prophecy."

– Becoming Your Own Banker – R. Nelson Nash



"Let's compare the activity and characters in a conventional bank, and that of a life insurance contract with a mutual, dividend-paying company."

– Becoming Your Own Banker – R. Nelson Nash

The first thing we see in the figure above is that at the center of the diagram we have the Life Insurance Policy. This is analogous to the Bank. On the left we see the Policyholder as Depositor paying Premiums into the policy. This is the capital that funds the policy and enables the cash value to grow each year. This is analogous to both the Banker and the Depositors who provide the capital that the bank lends out to make money for its shareholders.

> *"A bank can't operate without 'hired help'. Neither can a life insurance company. A bank must lend money or it is not in business. So does a life insurance company. The cost of administration in both cases is a 'wash'."*
>
> *– Becoming Your Own Banker – R. Nelson Nash*

The insurance company who runs the day to day operations sits at the top of the diagram. This is similar to the people who work at the bank.

> *"The stockholder at the bank earns dividends. So does the life policy owner. The C/D holder at a bank earns interest. So does the life policy owner (guaranteed cash value)."*
>
> *– Becoming Your Own Banker – R. Nelson Nash*

On the left of the diagram we once again see the Policyholder as Owner receiving dividends.

> *"Loans are an ASSET to the bank – it is their source of income!! I would recommend policy loans to buy the cars."*
>
> *– Becoming Your Own Banker – R. Nelson Nash*

At the bottom of the diagram we see the Policyowner as Borrower - the best client of his own bank. He receives money as policy loans and repays those loans with interest. This is what fuels the growth of the bank over time.

> *"There is a simple reason for this procedure. Remember; the earlier one starts a life insurance policy – and the longer it stays in force – the more efficient it gets. When one surrenders Paid-Up Additional Insurance, you are surrendering a small portion of Paid-Up Insurance that has recently been created. Hence, you are killing the growth potential of that much of the policy. If you use policy loans, instead, then you are not terminating this potential. The policy values continue to grow."*
>
> *"This is the essence of what the Infinite Banking Concept is all about – recovering the interest that one normally pays to some banking institution and then lending it to others so that the policy owner makes what a banking institution does."*
>
> *"The life insurance policy is still growing although money is being withdrawn from dividends until the cost basis is recovered and from policy loans from that point on, hence the income is not a taxable event."*
>
> *"The Infinite Banking Concept is teaching you how to BECOME YOUR OWN BANKER. When you make a policy loan from the Life Insurance Company, you are borrowing from the cash value thereof. When you make loan repayments it is going to the life insurance company. You are just another place that the company makes investments to carry out the purpose of the policy – to be able to pay the death claim. You, the policy owner have a contractual right to borrow the cash value at any time."* Typically you can borrow up to 90% of the cash value.

"In the Life Insurance method, the policy owner is earning both interest and dividends. There are no stockholders!"

"The only difference in the two is how earnings are allocated. The life policy owner gets both interest (guaranteed cash value) AND dividends!"

"And so, your cash value grows each year and you participate in the earnings of the company in the form of dividends paid to you."

"There are only two hard, fast rules in building and in carrying this concept:

1. *Don't be afraid to capitalize the system. The more capital you put into it, the more you get back, tax-free at "passive income" time.*
2. *Don't make policy loans without making provisions for paying them back (stealing from your system)."*

– Becoming Your Own Banker – R. Nelson Nash

Finally, on the right hand side we see the beneficiary who receives the Death Benefit upon the passing of the Insured.

"The death benefit is not a factor in this comparison. It is a bonus to the policy owner."

"When you look at the proportions of the whole activity it is obvious that the banking qualities became much greater than the death benefit quality of a policy. A better name would have been a "banking system with a death benefit thrown in for good measure."

– Becoming Your Own Banker – R. Nelson Nash

Now that we understand the various roles and how they work, we need to keep a couple of very important things in mind. The first is that like any other business, there is a start-up period where the capital invested will not be quickly available and will not yield immediate results. We need to be mindful of this and be patient so we don't lose hope. This is similar to planting a fruit tree. When we first plant the seed, there will be a period of time when we will not see results, but we have to trust and remember that beneath the ground, the seed is growing roots which will enable that tree to grow and be fruitful after some time.

"When you buy a life policy, you are literally starting a new business from "scratch". There is a "start-up cost" in creating a new business. It takes a life company about 13 years to amortize the "cost of acquisition" of a new policy."

– Becoming Your Own Banker – R. Nelson Nash

The second is that the policy needs to be designed properly from the get go, to enable us to have "capacity" to grow. Imagine what would happen if the seed you planted did not have the proper soil to grow in where it could spread its roots. It probably would not grow too deep and thus would not reach its full capacity. Similarly imagine if someone wanted to build a skyscraper yet did not prepare a deep enough foundation. This mistake would be costly and would prevent and limit the future maximum size of the building that could be built on this foundation. In like manner, we need to design the policy from the get go to have enough "capacity" to put more money in it later on in life as we prosper and become more financially successful.

> *"This procedure provides a place to put "windfall money" for things that do come along in life, such as inheritances, proceeds from sales of various kinds of property, death benefits from policies on which you are the owner and/or beneficiary, etc. etc."*
>
> *– Becoming Your Own Banker – R. Nelson Nash*

THE PROPER PERSPECTIVE – IT'S ALL ABOUT THE LIVING BENEFITS, NOT THE DEATH BENEFIT

As we said before, everything is a matter of perspective. The people who avoid or delay getting a life insurance policy, even a term one, is generally because they mistakenly focus only on the death benefit. They rationalize that the money they spend on a life insurance policy will not benefit them. And if they are referring to a term life insurance, they are absolutely right. They will never see this money again. If they die within the term of the policy, they will not be around to enjoy the money, but at least their beneficiaries will. But if they don't die within the term of the policy, then that money is long gone and did not benefit the policy owner nor their beneficiaries. Yet, when you understand how a BECOME YOUR OWN BANK policy works, you will realize that the money you put into these policies will benefit you while you live as well as your beneficiaries now and later after you're gone. Yes, of course, it has a death benefit, but that is not the primary reason you buy one. The death benefit is the cherry on top, not the main dessert. You get it for the "living benefits" first and foremost. This money that is going into your policy in the early years is what will allow you to enjoy a better life down the road. Once you have this understanding and perspective, you will be very motivated to get going as soon as possible, and will understand that putting money into it is helping you build your best asset – YOUR OWN BANK! But the key is having a life-long perspective and a life-long financial strategy! This will make all the difference in the world.

> *A properly designed participating whole life insurance policy offers powerful benefits as the cornerstone of a lifelong financial strategy.*
>
> *A lifetime financial strategy using participating whole life insurance creates, maintains, and grows a pool of money that functions as a financial reserve you can use any way you choose. The living benefits of participating whole life insurance provide a financial resource for you to use and enjoy during your lifetime, in addition to the legacy provided by the death benefit.*
>
> - *Liquidity, use, and control of your money*
> - *Access to credit- guaranteed loans*
> - *Flexible loan repayment*
> - *Tax-favored environment*
> - *Reduced loan interest, service charges, and fees paid to others*
> - *No government involvement*
> - *Predictable financial results*

- *Insurance for life*
- *Guaranteed insurability*
- *Guaranteed cash accumulation*
- *Creditor proof-protected asset (in certain states)*

– Financial Independence in the 21st Century – Dwayne Burnell

BENEFITS OF BECOMING YOUR OWN BANK

We now present several of the most important "Living Benefits" of setting up your participating whole life insurance policy correctly from a mutual life insurance company and using it to BECOME YOUR OWN BANK.

By customizing the policy to act as a financial vehicle you can:

- *Grow its cash value more quickly. This results in access to a greater percentage of our money sooner.*
- *Cause the cumulative premiums paid to equal the policy's net cash value in less than 15 years.*
- *Grow the cash value within the policy as quickly as possible, through dividends and paid-up additions, so that the cash value accumulation each year exceeds the annual premium payment.*
- *Grow tax-deferred savings.*
- *Create immediate and growing financial protection for beneficiaries.*
- *Develop a future tax-free asset: the death benefit.*
- *Ensure guaranteed access to cash without fees or penalty.*
- *Create a pool of money to supplement retirement.*

– Financial Independence in the 21st Century – Dwayne Burnell

PROPER DESIGN OF PARTICIPATING WHOLE LIFE POLICY USED AS "YOUR OWN BANK"

Before you go off running in a hurry to buy a life insurance policy from your best friend, please realize that not just any person knows how to properly structure a policy to function correctly to allow you to BECOME YOUR OWN BANK. You need someone who has experience and know-how in how to set this up properly from the get-go. Otherwise, you will regret not doing so and will end up wasting valuable time and money. If you care about maximizing the use of your money, who would you rather listen to? Someone who will simply sell you a policy, but has no idea how to use it as a bank? Or someone who has experience setting them up and coaching others how to use them for years?

Become Your Own Bank

"Acquiring a whole life policy for use as a financial vehicle is a two part process:
(1) you need the policy designed and structured correctly to function optimally as a financial tool, and
(2) you need your insurance specialist committed to helping and teaching you how to use it over time.
This is a product that, as a financial tool, is meant to last a lifetime. It doesn't promise, nor does it provide, a "get rich quick" approach."
– Financial Independence in the 21st Century – Dwayne Burnell

Anyone can sell you a life insurance policy. That is easy. The question is, how many of them even know that this is a tool that can function as a bank and can properly structure it from the get-go to help you BECOME YOUR OWN BANK. Some agents talk a good talk, but the key question you need to figure out is whose interests are they looking out for – yours or theirs? If you get the wrong agent or the wrong policy, you will find out too late, and your money will be long gone. We have seen many people who have paid for years for policies like universal or variable life insurance policies that in the end will not serve for any helpful purpose. We want to make sure you are not another casualty.

You want to be sure that the policy you use as the foundation for your BECOME YOUR OWN BANK strategy is the right one for you. You have a lot riding on this and it is not a process you should take lightly.

"Things that last take time and effort to build. And they are worth it."
– Financial Independence in the 21st Century – Dwayne Burnell

"What a well-designed participating whole life insurance policy provides is low risk, steady and stable growth. Think of the participating whole life policy in this way. We all want to get to the top of our financial mountain and this is the switchback trail, not the rocky face climb."

"A whole life contract that can be used as a financial tool and a lifelong strategy must meet specific design criteria."
– A Path to Financial Peace of Mind – Dwayne Burnell

"A properly designed participating whole life policy can function as a simple and powerful financial tool that will work in strong and weak economic times."
– Financial Independence in the 21st Century – Dwayne Burnell

"The four important design elements and working parts of a participating whole life policy are ***premiums, cash value, dividends and death benefit****. The way that three of these policy components (premium, cash value and death benefit) are specifically designed to work together create the basic source of power for using whole life as a financial tool."*

- ***Premiums:* "***To harness the complete financial power of the whole life policy as a financial tool, the key is to maximize your premium payments to the policy up to the limit of the MEC Rule. It's in your best interest to fund the policy to the maximum. By paying the maximum premium payment, you capture the maximum amount of paid up additions, which in turn cause the cash value and death benefit to increase. Net premium payment at a time, we know absolutely, positively that we are going to get there. It's going to take a while, but aren't we in it for a lifetime? It works because we employ proper management and responsibility to make our premium payments and to pay our policy loans back to ourselves, as we are the lenders of our own money."*

- ***Cash value****: "Once your money is inside a properly designed whole life policy, you have access to the cash value without penalty or tax. If you pay your premiums on time, the cash value cannot go down; it can only go up. The more you use the credit facility of the whole life policy (while maximizing the paid up additions), the better it gets."*

  – A Path to Financial Peace of Mind – Dwayne Burnell

"The policy is engineered to become more efficient every year, no matter what happens."

*"The cash value is **guaranteed** to ultimately reach the face amount of the policy by age 100 of the insured. There is an ever-decreasing "net amount at risk" for the company."*

- **Dividends**: "*In a dividend-paying life insurance policy, you earn both guaranteed cash value, (interest) and dividends, which are not guaranteed and are based upon the experience of the company. In a well-managed company, the dividends can become enormous over a long period of time."*

  – Becoming Your Own Banker – R. Nelson Nash

- ***Death Benefit****: "Every time you put a dollar into the policy beyond what is minimally due to keep it in force, you increase the death benefit by more than the dollar you put in."*

  – A Path to Financial Peace of Mind – Dwayne Burnell

"The objective should be simply to get as much money as possible into a policy with the least amount of insurance instead of trying to put as little money in and provide the greatest amount of insurance (initially). It is the exact opposite of what one thinks about when purchasing "insurance"."

– Becoming Your Own Banker – R. Nelson Nash

Bill Lenderman says that a properly designed policy that is designed to serve as a bank has 3 components and uses a ship analogy to explain this:

A BECOME YOUR OWN BANK account, if it is designed so there are no tax implications, is designed with 3 elements to maximize the cash.

1. Base Policy – This is the hull that carries the passengers to their destination.

The first element is the base whole life contract. That is is analogous to the hull of the sailing ship. The hull is where most of the expense comes. But the hull is what plows thru the waves and carries the passengers and the cargo safely from one shore to the other. It’s fundamental. The base whole life contract is where the fee comes from the first couple of years or so. After that is taken care of, all the money that you put into the base is your money. It goes right into the account. It’s available to you all your life for you to use.

2. Term Rider – This is the mast that allows the account to be funded to a greater capacity.

The second element is the term rider. It serves two purposes. It increases the death benefit to protect your family or your assets or whatever the case might be. If you are dealing with the tax issue, it raises the death benefit high enough that the IRS considers it insurance policy and there are no tax issues. You don’t pay tax on the interest or the dividends. You don’t pay tax on the use of the money. You don’t pay tax the death benefit. You don’t pay tax on the income you draw in the future if you choose to do that. If you make a loan and you use the money for the purposes of business or investment, the interest you pay yourself is tax deductible. You get to deduct the interest off the income and you get the tax savings. You are still paying yourself the interest, instead of somebody else. If you make a loan it doesn’t change the ownership so the dividend doesn’t change and neither does the death benefit.

That term rider is analogous to the mast on a sailing ship. This is permanent. It has to be properly designed. If you make it too tall, the ship would literally roll over, take in water and sink. If it is too short, you can’t put up enough sail to get the speed out of the vessel that it is designed to go. It has to be done right. The term rider is temporary. Generally speaking if you fill the account up to the maximum it is designed, around the seventh year, you can see if the death benefit has grown enough, you no longer need the term rider for taxes, get rid of it. If you still need it for the death benefit, keep it. If you have run out of capacity in your account and have more money than it will hold, exchange it. When you no longer need it for taxes, exchange it for another BYOB account. If you exchange it you will get the money back for the term rider for the previous year and it will be included in the new account. The term rider is temporary.

3. PUA Additions Rider – This is the sail which makes the ship go as fast as you wish it to go.
The third element is the optional money – the LPUA – the premium additions rider. Purely optional, just like in any bank. That's the sail. You can raise the sail to the top of the mast and get the full speed of the ship. In a storm you can drop it to the deck. You can put it anywhere in between, depending on what you want. It's completely under your control. Nobody will come and say you didn't put money in there. Some companies have a requirement that you intend to use the capacity and can backfill up to 7 years. That is the sail. Obviously, the higher you raise the sail, the faster the ship will go. But it's purely optional.

LIVING BENEFITS
Now that we have discussed the proper design of a policy that will enable you to BECOME YOUR OWN BANK, let's review once again the living benefits of why we want to do this.

> *"Many of the advantages of participating whole life insurance designed as a financial tool are "living benefits". These living benefits are present in addition to the tax-free legacy of the death benefit that will be left to your beneficiaries. The security of the participating whole life insurance can form the cornerstone of your financial strategy in the 21st century. The foundation of this strategy is built on predictable results, financial control, and lifetime access to your cash without penalty."*
>
> *– Financial Independence in the 21st Century – Dwayne Burnell*

> *"Living benefits provide a financial resource for you to use and enjoy during your lifetime. Living benefits are provided by the accumulation of cash value and the death benefit inside the permanent life insurance policy."*

"These benefits include:

- *having liquidity, use and control of your money,*
- *Access to credit by using the policy as a credit facility,*
- *keeping your money in a tax-favored environment,*
- *achieving predictable financial performance,*
- *creating a strong savings vehicle and*
- *reducing interest paid to others."*
- *No government involvement*
- *Insurance for life*
- *Guaranteed insurability*
- *Guaranteed cash accumulation*
- *Creditor proof-protected asset (in certain states)"*

– A Path to Financial Peace of Mind – Dwayne Burnell

For example with permanent life insurance it's possible to:

- *take policy loans,*
- *use the life insurance policy for collateral on bank loans, or*
- *use the policy for retirement income,*
- *cash withdrawals and more.*

Other benefits include:

- A long term care benefit
- An early death benefit if the insured is expected to die within 12 months
- A guaranteed minimum lifetime income.
- Ability to simply withdraw funds if desired.

> *The policy's cash value is a living benefit and is separate from the death benefit provided by the policy.*
>
> *– A Path to Financial Peace of Mind – Dwayne Burnell*

However, for clarity's sake – one must realize that when the insured dies, the insurance company will pay out the death benefit. The cash value plus interest and dividends "become" part of the death benefit instantaneously and are received income tax free. This is one of the main points of why this is superior to a term policy and to a savings or checking account or a retirement account such as a 401(k) or IRA. None of them have a death benefit. The most the beneficiaries would get is the value of the account at the time the insured passes away, minus substantial income taxes.

> *"A final intangible benefit of this approach is simply the financial peace of mind you provide yourself and your family by removing the fear, anxiety and worry about your money."*

> Suppose you could *"buy the chocolate bar and throughout your life be able to smell it, eat it, and enjoy it while you are alive. The chocolate bar continues growing, so when your final day comes, those close to you get even more chocolate. When you realize that there are tremendous benefits to owning whole life insurance while you are alive, then you will understand why people get excited about buying this type of life insurance."*

We will now review in more detail what these benefits mean.

> ***Liquidity** – "You can convert your cash value into cash without penalty or tax usually within 2 weeks."*
>
> *– A Path to Financial Peace of Mind – Dwayne Burnell*

With the benefit of ACH deposits, sometimes this can only take 2-3 days after you request a policy loan for the money to be deposited into your bank account.

> ***Use** – "Use means that you have the money available to put to use for any purpose you desire without restrictions."*
>
> *– A Path to Financial Peace of Mind – Dwayne Burnell*

Unlike other accounts such as a line of credit, or the 529 college savings plan, or the health savings accounts which place several restrictions on how you can use your own money, here no one will ask you what you want the money for. It's up to you. No need to explain or justify to the insurance company why you want to borrow the money from your policy. Just ask for it, and all they ask is "how much?". That's it!

> ***Access to Credit or Cash*** *– "We are creating a lifelong capital pool for the policy owner and the insured. Knowing that we have immediate access to cash provides peace of mind and a sense of security that being on the stock market roller coaster just cannot provide. One of the most powerful aspects of the whole life insurance policy is the availability of a credit facility that doesn't require a job or someone else's approval to access."*
>
> *– A Path to Financial Peace of Mind – Dwayne Burnell*

If you have ever applied for a mortgage loan, school loan, line of credit, or any other type of bank loan, you know how incredibly hard it can be to be approved. The bankers and underwriters will hold you hostage and demand that you provide anything they desire – bank statements, check stubs, letters of explanation why you moved this or that money, proof of where your deposits came from, etc. It can be very frustrating while you are undergoing the approval process as well as disheartening when they deny your request for no good reason. They could also demand that you assign them your life insurance policy to protect themselves.

> ***Control*** *– "means that you determine the terms, conditions, or repayment terms for the use of your money. If you want to change the location of your money, spend it, loan it, or invest it, there are no penalties, no age restrictions and no one to tell you that you can't do what you want to do."*
>
> *"Most of us do not have liquidity, use, and control of our own money. With a whole life policy, you have liquidity, use, and control of your money. You don't need a job, w-2 statements, tax returns, or a good credit score to get access to your cash. If you need money for any reason, it is available to you with no penalty. It's that simple."*
>
> *"Who is in control when we use our credit card?"*
>
> *– A Path to Financial Peace of Mind – Dwayne Burnell*

There is no price for having control of your own money. Remember he who has the gold makes the rules. When you have a BECOME YOUR OWN BANK account, the insurance company only asks two questions: How much do you want? How do we send it to you? If a credit card company decides to charge you increased fees, or hike your interest rate, or change the terms, you don't have a say in the matter. If you cannot repay what you owe them, or absolutely need their money, you have to abide by their terms and conditions. They punish you with late payments and higher interest rates. If you miss a payment, they can damage your credit score and you could potentially lose a lot.

> *"We can't control the global economy. We can't control the national or regional economy. The only economy we can control is our household economy. One of the best ways to control our household*

economy is to control who we owe our debt to. Whole life takes that control out of the hands of our creditors and puts it in ours."

– A Path to Financial Peace of Mind – Dwayne Burnell

What value would you put on having peace of mind?

"You can achieve peace of mind with your money."

– A Path to Financial Peace of Mind – Dwayne Burnell

"Living benefits provide a financial resource for you to use and enjoy during your lifetime. It's possible to take policy loans, use the life insurance policy for collateral on bank or other loans, or use the policy for retirement income, cash withdrawals and more."

– Financial Independence in the 21st Century – Dwayne Burnell

"In addition to the death benefit – which is paid tax-free to the named beneficiary upon the death of the insured – a whole life policy also generates "living benefits". One of these benefits is the payment of dividends. In a mutual company – one in which all the policy holders collectively own the assets of the insurance company – the excess earnings are periodically distributed as dividends to the policyholders. The policyholders can choose to reinvest the dividends by purchasing additional life insurance."

– How Privatized Banking Really Works – Lara & Murphy

GUARANTEED CREDIT FACILITY

Ever since the great crisis brought about by the housing bubble and subsequent crash, banks have been very scared to lend to most people. The requirements now demanded by government and banking regulations are very stringent. Only the people with the strongest credit scores, incomes, assets and full documentation can borrow. And then the approval process can be a nightmare. They will run your credit multiple times. You cannot make any large purchases while the approval process is happening. You must keep your job. If you happen to change jobs or leave to start your own business, you no longer qualify. The bankers can demand to see any bank statement they want, demand any collateral they feel will protect them, request infinite letters of explanation to document why you moved money around between your accounts, or why you purchased certain things. They can also offer you whatever interest rate suits them, and unless you have multiple offers, you don't really have much say in the matter. They will set the terms and conditions for repayment and consequences for any delay or missed payment. They get to decide the penalties, fees, and charges they make for failing to live up to what you agree upon even by a day. They can impact your credit score without your approval. In short, they have control. You do not. You either live by their terms or you don't get their money, which in reality is not really their money – it's their depositors' money.

THE COST OF ACQUISITION

Nelson Nash understands this all too well and calls it "*the cost of acquisition of finance*".

"At the last minute the bankers always find that we need one more pint of blood!"

Become Your Own Bank

*"If you are in command of the banking function you do not have to go through all this expensive erosion. You can make timely decisions. There is **no cost of acquisition**."*

– Becoming Your Own Banker – R. Nelson Nash

Having a guaranteed credit facility you can have access to money without needing to provide any explanations or paperwork is an incredible blessing you cannot begin to appreciate until you have experienced the alternative of dealing with banks to obtain the money you need to fund your purchases.

"You have a built–in guaranteed credit facility. You don't need to have a job or provide pay stubs to take a loan. You do not have to qualify for this loan. The insurance company does not care about your credit score. You also determine the timetable for when you repay your loans. There are no late fees or reports sent to the credit bureaus. When you take a loan against your policy, you don't actually remove the cash value from your policy. You take a loan from the general reserves of the insurance company against your policy. The cash value in your policy actually serves as collateral for your loan. The cash value in your policy continues to grow and receive dividends even while you have a loan against it. You will pay interest to the insurance company on the money you borrow against your policy. But on the other hand, you are receiving dividends at the same time. This reduces your net borrowing cost considerably."

– Financial Independence in the 21st Century – Dwayne Burnell

So for example, let's say that your policy pays you 4% a year, but you borrow at a rate of 5%, your net cost will be 1%. Remember a loan does not change ownership, so dividends are unchanged.

"Participating whole life insurance has a rate of return sometimes equivalent to three percent to 6 percent in a bank account over a life time, thus rendering the life insurance costless.

With participating whole life, you could borrow at a one percent to a three percent net cost without being taxed."

- *Life Insurance – Will It Pay When I Die? - By Thomas W. Young*

"When you borrow from the life insurance company, you are not borrowing your money. Your money is collateral for a loan from the insurance company. The interest savings over your lifetime could be thousands of dollars of interest the average persona pays to banks."

- *Life Insurance – Will It Pay When I Die? - By Thomas W. Young*

"The reason the insurer is willing to lend at such reasonable terms, is that it has the policy's death benefit as collateral."

– How Privatized Banking Really Works – Lara & Murphy

"Focus on the strength of using your whole life policy and its built-in access to guaranteed credit."

Become Your Own Bank

"Explore the tremendous financial power and benefit of using the loan capability of your whole life policy to fund large routine purchases over your lifetime. Funding large routine capital purchases, such as a car, with a loan against your policy, instead of paying cash or taking a bank loan, offers the following advantages:

- *Enhanced growth and access to the cash value within your policy*
- *Creation and growth of a separate asset (the death benefit)*
- *No need to qualify for a loan*
- *A secure savings program*
- *Ability to set your own loan repayment schedule*
- *Elimination of fees and service charges paid to others*
- *Transaction privacy*
- *No universal default clauses or unilateral loan provisions*
- *Immediate clear title to your car (no bank lien)*
- Interest you pay to yourself is deductible from your taxable income if the loans are for business or investment purposes.

"We don't realize how much financial freedom we can achieve by using the credit capability that is built-in and available to us as whole life policy owners."

– Financial Independence in the 21st Century – Dwayne Burnell

POLICY LOANS

As was stated earlier, you as the Owner of your policy which is designed to allow you to BECOME YOUR OWN BANK have complete control of the investment function. You have the right to borrow the money in your policy before anyone else. This gives you absolute control of your destiny.

"The policy owners always have first right to their money. You can access the cash value of your policy at any time. As the policy owner, you can borrow against the policy using the cash value as collateral for the loan from the insurance company."

– A Path to Financial Peace of Mind – Dwayne Burnell

Another tremendous benefit is that you set the terms of repayment of your policy loans. You will not have anyone breathing down your neck. You have the freedom and flexibility to pay back as your income and lifestyle allows. This is particularly helpful for those with variable incomes such as commission sales people or when the timing of the sale of an asset is uncertain. You get to decide how and when you pay it back.

"With a whole life insurance policy, you determine the timetable as to when you repay your loans."

"You may repay your loan on any schedule you feel comfortable with, creating your own repayment terms."

"You can pay the loan back on whatever schedule you choose. Flexible loan repayment terms are a significant benefit. You decide the repayment terms because you are in control."

"If your loan or loan interest if not repaid at your time of death, it is simply subtracted from the death benefit."

"The loans you receive are not considered taxable income."

"You don't need to have a job or provide pay stubs to take out a loan. You don't have to qualify to borrow against your own money."

"Another way to increase the total amount of your savings is to pay higher loan payments back into your policy. The additional % above the minimum % required will pay off your loan earlier and help grow the cash value of your policy."

– A Path to Financial Peace of Mind – Dwayne Burnell

"Policy loans- when you take a loan against your policy you borrow from the insurance company but you do not actually remove any money from your policy. The cash value and death benefit in your policy act as collateral for the loan."

"Since you have not actually withdrawn money from your policy, the money in your policy continues to compound and grow while you have a loan against it. You continue to earn dividends on the death benefit inside your policy even though you have taken a loan against the policy. As you repay your policy loan, the insurance company incrementally releases the lien against the cash value of the policy. You may repay your loan on any schedule you feel comfortable with, creating your own repayment terms. Best of all the loans you receive are not taxable income. If the loan is not repaid when the insured person dies, the outstanding loan balance (plus interest) is subtracted from the death benefit. When you take a loan against your participating whole life policy you need to treat it as though you had obtained a loan from your local financial institution."

"Policy loans are not considered taxable income so you can access the cash value in your policy. Policy withdrawals up to the amount of premiums paid can be taken without being taxed. An income tax-free death benefit ensures that your loved ones or your business receive the full value of your policy."

– Financial Independence in the 21st Century – Dwayne Burnell

When you take a loan against the policy it creates a lien against the cash value available. The death benefit is not affected, but is reduced by the amount of the loan plus any unpaid interest. *If* *you choose to repay this loan, then the money becomes available once more as part of the cash value and death benefit.* The loan is "forgiven" since you already have the money.

The excess interest you pay also becomes future capital to loan against and grows the capacity to loan even more. If you don't borrow to finance purchases you are throwing away a huge opportunity to expand the capacity of your account.

"With each loan, set up your own repayment schedule and pay the loan principal and interest back to the insurance company. As these loan payments are received, the insurance company incrementally releases the lien against the cash value and death benefit. This results in a growing policy cash available *with each loan repayment. This increasing cash value is then available for other purchases and life events. The process of incrementally releasing the lien against the cash value and death benefit as loan payments are received (and causing the cash value to increase) stands in stark contrast to traditional loans from financial institutions."*

– Financial Independence in the 21st Century – Dwayne Burnell

"It is vital that a person understand that he must set up a loan repayment plan that equals or exceeds what he would have had to pay the finance company that he was using in the past."

"The extra money does not go to the general portfolio of the company – it goes to his policy that is being administered by the company on his behalf."

*"The "*additional *interest" he pays the policy is not really interest on the loan. It is additional premium that is equal to the amount of interest he is paying to the finance company."*

– Becoming Your Own Banker – R. Nelson Nash

"There is another major "living benefit" which gets to the heart of IBC: The insurance company is prepared to make low-interest-rate loans to policyowners, which the "credit limit" being proportional to the cash value of the policy."

"The insurer grants the loan, using the policy's death benefit as collateral. From the insurer's point of view, a loan to a policyowner in a sense is the safest investment imaginable. The insurance company knows that it will definitely recoup every last penny that a policyowner owes on a loan, even including the accumulated interest, because whenever the death benefit is paid out, the outstanding loan balance will be subtracted before the insurer cuts a check to the beneficiary. If the policyowner pays back all or a portion of his policy loan, then this diminishes the lien against the death benefit, and frees up the cash value of the policy for future loans and/or a fuller death benefit payment."

"If someone adopts the full strategy in which he borrows from the insurance company at say 5% but makes payment on the loan as if it were rolling at 7%, and some point, the loan to the insurance company will have been fully repaid, and then the remaining "payments" actually purchase additional life insurance, causing a greater increment in the cash value and death benefit of the policy."

"The same cash flow dedicated to car payments will translate into net capital accumulation, rather than simply eliminating an outstanding debt."

"Financing via IBC versus outside lenders is a "no brainer" in terms of ending up with both the purchased asset and more net wealth."

– How Privatized Banking Really Works – Lara & Murphy

POLICY LOANS OR POLICY WITHDRAWALS?

The discussion so far hopefully gives you a pretty good idea of the benefits of learning to BECOME YOUR OWN BANK. But policy loans are not the only way to access your cash value. You can also make withdrawals, which you don't have to repay. However, there are some drawbacks which must be properly understood. So we will take a moment to explain the difference between a withdrawal and a policy loan.

"The policy owner has two options to access the cash value inside his or her policy. The policy owner can either take a policy loan, as previously discussed, or alternatively, take a withdrawal."

Impact of Policy Loans vs. Policy Withdrawals

Policy Parameters	Policy Loan	Policy Withdrawal
Accessible Cash	$50,000	$50,000
Tax Consequence	No tax consequence	Variable – if you withdraw more money from your policy than you paid in premiums, there could be tax due on your withdrawals
Cash Value	Reduced by $50,000	Reduced by $50,000
Death Benefit	Reduced by $50,000	Reduced by $50,000
Loan Interest	Loan interest accrues	No loan interest
Unpaid Loan Interest	Unpaid loan interest reduces the cash value and the death benefit	No unpaid loan interest
Policy Capacity	Policy capacity unchanged	Policy capacity reduced

Source: Financial Independence in the 21st Century by Dwayne Burnell

Withdrawing money from your policy decreases the cash value, death benefit, and the total capacity of the policy. Policy loans decrease the cash value and death benefit but the capacity of the policy is not reduced.

"Withdrawing money is equivalent to reducing the size of the bucket. If the policy owner does not foresee that he or she would want to return the $50,000 to the policy in the future then a withdrawal might be the best answer. If the policy owner wants to retain the option of placing the $50,000 back into the policy, then the policy loan is the best answer."

"Policy loans maintain greater financial flexibility for the policy owner."
– Financial Independence in the 21st Century – Dwayne Burnell

SUMMARY OF BENEFITS OF BECOME YOUR OWN BANK STRATEGY
The more you review all the "living benefits" of learning to BECOME YOUR OWN BANK, you will wonder why no one had told you about this before. It requires a willingness to change your paradigm. It requires patience. It requires faith. It requires consistency. It requires a different perspective. It requires a life-long view and a strategy that can support it. You will "see" that life insurance is not at all about just the death benefit. Yet once you "get it", you will see there really is no other way to live life. Why would you want to do it any other way? You CAN have your cake and eat it too after all.

So let's review the main benefits one more time.

- *Use the credit facility in the whole life policy to fund major capital purchases. The cash value within the policy grows by more than the loan repayment amounts, including the loan interest paid.*
- *Guaranteed access to credit- when needed to access money for a car loan, it is easy. No need to fill out loan application paperwork, no worry about credit scores, income confirmation, etc.*
- *Reduce loan origination fees and service charges to others.*
- *Flexibility-policy design that incorporates base premium and paid-up additions allowing access to cash value and growth of this cash value.*
- *Security and stability - no capital loss.*
- *Growth - the cash value and death benefit grow through payment of paid-up additions and repayment of loan and loan interest. Additional growth within the policy also occurs as a result of dividend payments.*
- *Tax benefits- loans against the policy are not considered taxable income. Although one contributes to the policy with after-tax dollars, the growth of the money inside the policy is not taxed.*
- *Legacy- create a financial legacy, while enjoying the living benefits of the policy, while owner of policy is alive.*
- *Whole life policy becomes a cornerstone of a lifetime financial plan.*

– Financial Independence in the 21st Century – Dwayne Burnell

The key design of the policy is to initially find the equity capital of the policy and absorb the start-up costs without needing to use it. Then keep funding it (premium) with the Pay Yourself First portion (savings) then use the cash balance to fund your lifestyle (expenses, consumption, or purchases) and pay it back with your earnings. This way you recapture 100% of your net after tax income.

- *"The core strengths of participating whole life insurance as the foundation of a lifetime financial strategy are*
  1) the prevention of capital loss,
  2) the compounding of money uninterrupted over time, and
  3) establishing the liquidity, use and control of your money without restrictions."
  – Financial Independence in the 21st Century – Dwayne Burnell

WHY A MUTUAL LIFE INSURANCE COMPANY?
We have stated that the proper way to start a BECOME YOUR OWN BANK policy is to get it from a mutual life insurance company. One might wonder what difference does it make? Well it does make a tremendous difference, so we would like to take a minute to address this.

"Mutual companies are private insurance companies owned by the policy owners. Mutual companies may issue participating policies that allow policy owners to share in dividends, when declared."

"Unlike publicly traded stock-based companies, private mutual companies have no outside stockholders to share in the profits. Consequently, the private mutual insurance company is not subject to short-term performance demands of the stock market or the need to show quarterly or annual earnings to satisfy shareholder needs."

"Mutual companies are able to keep more clearly focused on the benefits for their policy owners because of their stated mission, which is simply the long-term interests of the policy owners."
– Financial Independence in the 21st Century – Dwayne Burnell

"The features of mutually-owned, dividend paying whole life insurance companies are almost perfectly suited to allow middle-class households, with relatively little hassle, to begin accumulating financial capital in order to enter the banking business."
– How Privatized Banking Really Works – Lara & Murphy

We hope this gives you a better perspective of how you get started on BECOMING YOUR OWN BANK. Now let's look at more practical matters – how do we actually implement it in real life.

CHAPTER 8: BECOME YOUR OWN BANK NOW – IMPLEMENTING IT IN REAL LIFE

The main question most people ask when we discuss this strategy is:

> *"How do I get started? The most important word that comes to my mind is **desire**.*
>
> *There has got to be some honest introspection at this point and a commitment to "get out of financial prison" must be a burning passion.*
>
> *This is going to require a change in priorities in life and recognizing that controlling the banking function personally is the most important thing that can be done in your financial world.*
>
> *Above all, get started now. The longer you wait, the more you have penalized yourself."*
>
> *– Becoming Your Own Banker – R. Nelson Nash*

HOW TO SELECT AN AGENT – LOOK FOR A FINANCIAL MENTOR WHO IS KNOWLEDGEABLE, WITH INTEGRITY AND CARES MORE ABOUT YOUR FUTURE AND LIFE, NOT THEIRS

Once you have the desire and have made the decision that you want to do this, find an agent who can help you implement it. This has to be an individual who is not just knowledgeable and capable, but more importantly someone who has impeccable integrity and credentials, honesty, a solid track record of financial success, and someone who cares about your financial well-being. Yes, it's true that an insurance agent will get paid a commission for any policy you buy, but you need to find someone who is not going to sell you a policy because he or she needs to make a living from the commission they will get, but someone who cares about your situation and what is good and right for you, without any pressure. If that is not the case, RUN!

> *"Find a life insurance agent that is thoroughly familiar with The Infinite Banking Concept to act as your coach."*
>
> *– Becoming Your Own Banker – R. Nelson Nash*

> *"To achieve any true financial wellbeing over the long-term, please deal on a direct, personal level with the financial and insurance professionals who possess knowledge and integrity."*
>
> *"When an insurance professional designs a whole life policy as a financial tool, they customize it to work uniquely for you. This takes time, skill and knowledge, and there is a commensurate cost. Make sure you work with an insurance professional who is patient with the many questions you will have, and is able to answer with clear common sense. He or she should also be committed to working with you once the policy is built and in-force. You deserve an insurance specialist dedicated to delivering the highest quality service on your behalf."*
>
> *– Financial Independence in the 21st Century – Dwayne Burnell*

"He will help you find out just how you are spending money now and show you ways to re-direct that cash flow to build your banking system. You must be patient. It is going to take years to get started – and it needs to be a lifetime commitment."

– Becoming Your Own Banker – R. Nelson Nash

COST OF ACQUISITION – COMMISSIONS

One of the realities and temporary initial drawbacks of a whole life insurance policy as compared to other financial vehicles such as a mutual fund or other savings or retirement account, is that in the first few years the amount of money that is put in is reduced by front end expenses. In other words, the cash value of the policy will be less than the cash deposited. This is simply due to the fact that the insurance company incurs some start-up costs, the biggest of which is the agent's commission. Yet this is a fact of life no matter what life insurance company one uses. This is why it is important to have the right perspective and understanding of why we want to do this and view it simply as part of the start-up investment similar to when one starts a business or a farm. It requires a period of capitalization, patience, and futuristic vision to keep going despite the fact that we will not see fruit in the early years. Yet when we have a vision of the longer-term picture, it starts to make a lot of sense to get started as young and early as possible.

"Whole life insurance policies are front-loaded with the costs of the actual death benefit, administration, and agent commissions."

"Front loading is all around us. Education is a prime example- talk about front loading! Individuals also believe that their investment in education will last them a lifetime. The living benefits of whole life insurance more than make up for the difference in the cost of insurance. Witness the stability, cash availability and the lifetime wealth that you've created for your beneficiaries and their families. Banks purchase it on their employees as a way of securing capital."

– A Path to Financial Peace of Mind – Dwayne Burnell

"Front loaded costs, the costs of the actual death benefit, administration, and agent commissions are paid early in the policy. a whole life policy designed for use as a financial vehicle will usually cover its startup costs and begin lifelong guaranteed growth within six or seven years. Most of us are willing to make a front loaded investment in ourselves. We readily pay the costs for education. A participating whole life policy designed as a financial tool is no different. We are setting up a predictable, enduring, financial strategy.

– Financial Independence in the 21st Century – Dwayne Burnell

"Why not capitalize each policy purchased to the point where dividends will pay all the remaining premiums on the policy?"

– Becoming Your Own Banker – R. Nelson Nash

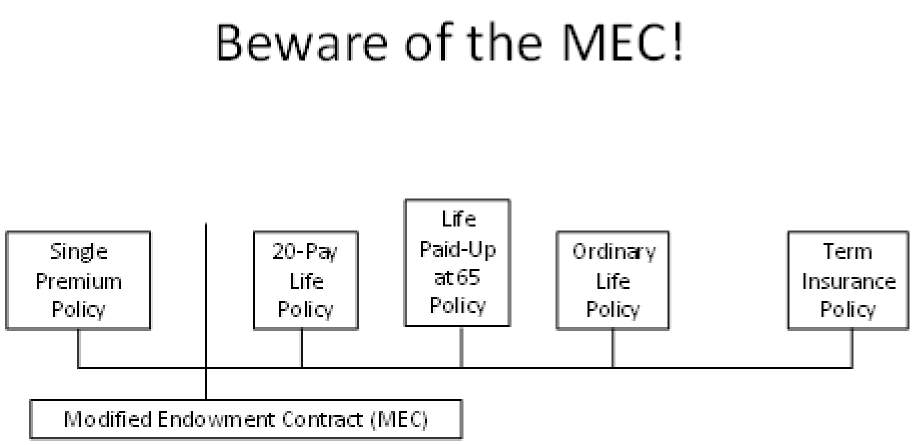
BEWARE OF THE MODIFIED ENDOWMENT CONTRACTS (MEC)

If taxes are a consideration, one of the important elements of designing and using a life insurance policy is that one must be careful not to convert the policy into a Modified Endowment Contract (MEC). This happens when it is funded with more money than is allowed under federal tax laws. If this happens, the taxation treatment changes completely and thus the policy loses many of its most important qualities. Whether or not taxes are a consideration depends on individual goals and circumstances. This is another reason why it is important to work with a qualified and knowledgeable financial mentor who understands this and will design the policy appropriately from the beginning so that the policy has enough capacity to put extra money in it without violating the MEC guidelines.

> *"Certain life insurance distributions, such as loans against the policy, policy withdrawals and dividends, are generally not subject to income tax in a participating whole life insurance contract. However, when received from a Modified Endowment Contract, these same loans against the policy, withdrawals and cash dividends are in fact, taxable as ordinary income and in some cases subject to a 10% penalty. (The 10% penalty applies to distributions taken before age 59 1/2)."*
>
> *"It is important to ensure that your participating whole life insurance policy does not exceed the Modified Endowment Contract requirements."*
>
> *– A Path to Financial Peace of Mind – Dwayne Burnell*

> *"For banking purposes you want the highest cost life insurance that is possible, but avoid it becoming a Modified Endowment Contract. Minimize the death benefit and maximizing the cash value."*
>
> *– Becoming Your Own Banker – R. Nelson Nash*

The chart below taken from the book *Becoming Your Own Banker* by Nelson Nash illustrates this point. It illustrates many types of insurance policies and where they sit relative to a MEC on a scale where on the far left we have a single premium policy and on the far right we have a term insurance policy.



> *"In the scale of policies above, suppose that the insured was 25 years old – then the **ordinary life** policy would be a 75-pay plan. The payment plan could be shortened by buying a **life paid-up at age 65** (for the same 25 year old, this would be a 40-pay plan). It could be further shortened to a 30-pay plan, or a 20-pay plan. **The shorter the payment period the better suited it is for the purposes of the Infinite Banking Concept**."*
>
> *"When using this type of life insurance to solve your need for banking, it is best to select a plan (the base policy) that is in the middle of the scale (such as ordinary life or a life paid-up at age 65) and add a Paid-Up Additions Rider (PUA) to the plan. By varying the amount allocated to each portion you can place the resultant policy at any point between the base policy and the MEC line. The whole idea is to "snuggle up to the MEC line" – but don't cross it! This will de-emphasize the immediate death benefit but accentuate the banking qualities (the cash values). The irony is that doing it this way will result in providing more death benefit than any other plan at the point where death will **probably** occur! The base policy will pay dividends and the PUA rider will also pay dividends. These should be used to buy **Additional Paid-up Insurance**, which gives more meaning to the **infinite** qualities of the system."*
>
> *"Any plan located to the left of this line is classified by the Internal Revenue Service as a Modified Endowment Contract (or MEC). These plans are not treated as life insurance by the IRS, meaning that any withdrawal or loan from the plan would be treated as a distribution and would be taxed as from any other accumulation account, i.e., part is capital and part is earnings. The earnings portion is taxed as ordinary income in the year the withdrawal or loan is made."*
>
> *– Becoming Your Own Banker – R. Nelson Nash*

SYSTEM OF MULTIPLE BYOB POLICIES

When you set up your first BECOME YOUR OWN BANK policy, you may be limited by your financial circumstances at that point in time. Once you begin to experience more financial success, your income will grow and you will need a place to warehouse your wealth. As you get more comfortable with how your policy can help you BECOME YOUR OWN BANK, you will begin to see the need to grow your own financial system.

> *"It will take the average person **at least 20 to 25 years** to build a banking system through life insurance to accommodate all his own needs for finance – his autos, house, etc. But once such a system is established, it can be passed on to future generations as long as they can be taught how the system works and suppress their baser instincts to "go out the back door of the grocery store" – or in a word that is more descriptive – **steal**."*
>
> *– Becoming Your Own Banker – R. Nelson Nash*

The way to do this is by obtaining more policies either on yourself or on others where you have an insurable interest. As long as you are the Owner of the policy, you maintain control and access to the money.

*"I am not describing **one life insurance policy**. This is to be **a system of policies**."*

"Why not expand your own potential by buying all the life insurance on yourself that the companies will issue? And then on all the persons in which you have insurable interest?"
– Becoming Your Own Banker – R. Nelson Nash

"Having multiple, well designed, whole life policies on one person enables the policy owner to capitalize on the financial potential of the policies and optimize his or her wealth."
– A Path to Financial Peace of Mind – Dwayne Burnell

Nelson Nash suggests that we should think of these additional policies as "branch offices" of your bank.

*"We are not attempting to accomplish all of the banking needs through the device of **one policy** – we will need a **system of many policies** in order to do the complete job. This is just a description of the design for each policy to best accomplish the system."*

"If you try to borrow too much you are trying to do too much financing with too little capital. It would be much wiser to establish a "branch office" to your banking system by capitalizing another policy."

"Remember, the wisest thing one can do is add additional policies to one's banking system as early as possible to enhance his ability to finance his entire inventory of equipment."

"Another improvement can be achieved by "back-dating the policy" for six months. Most all companies allow this. Pay the initial annual premium now, but ask the company for a policy date six months ago. This way it will be only eighteen months before being able to use the policy to cut the finance company out of the pattern. The earlier you are able to do so, the better the results."
– Becoming Your Own Banker – R. Nelson Nash

EXPANDING THE SYSTEM TO ACCOMMODATE ALL INCOME

The BECOME YOUR OWN BANK concept can be further expanded beyond just your own personal needs. Once you have created a system of policies, you can use these to finance investment opportunities, capital purchases for businesses, to fund your children's college education, or just about any other major purpose you can imagine. In essence the goal over time is to disintermediate the banks forever out of your life.

"When someone builds a banking system through life insurance, makes loans to himself to buy automobiles – and pays back to the policy (or policies) the same payment he would have to pay a banking institution – then he makes what the banking institution would have made off of him. And it is all done on a tax-deferred basis! The interest he pays never leaves his account and control. If this is done consistently throughout life it will make a tremendous difference in his financial picture."
– Becoming Your Own Banker – R. Nelson Nash

BECOME YOUR OWN INSURANCE COMPANY
As time goes by you can also begin to self-insure many aspects of life. In essence you become your own insurance company.

> *"Once you have a sizeable pool of capital in the form of cash values, you have all the elements of a property & casualty company – except pricing."*
>
> *"Can you see that, once you get a substantial base of cash values in life insurance, you have all the elements of an automobile insurance company, except pricing of the product? All you have to do to self-insure is to find out how much more you should put into life policies to assume that risk."*
>
> *"When enough money is accumulated in cash values in the foregoing policies to pay off the mortgage, then borrow from them and do so,* ***making sure that you pay the policies whatever would have to be paid to a mortgage company to amortize such indebtedness****."*
>
> *– Becoming Your Own Banker – R. Nelson Nash*

DESIGNING A MULTI-GENERATIONAL FINANCIAL STRATEGY

One of the most powerful concepts suggested by Nelson Nash is that the Infinite Banking Concept he teaches can affect multiple generations if applied consistently and if it is taught to your children and grandchildren. This would enable you and your descendants to enjoy the fruits of your labor and financial freedom for the rest of their lives and never know the slavery of debt to a financial institution. This is very exciting indeed! This is similar to the concept of planting an orchard or a farm so that your children and grandchildren will enjoy the rewards for endless generations.

> *"A household's decision to practice IBC would increase the likelihood that future generations can grow up in a world enjoying monetary and banking freedom."*
>
> *– How Privatized Banking Really Works – Lara & Murphy*

TEACH YOUR CHILDREN HOW TO BECOME YOUR OWN BANK

> *"One of the most powerful ways to use life insurance is to obtain a policy on a child. We are paying for an insurance policy on a child, not because the child needs insurance to protect any dependents, but because this is an excellent long-term financial tool and the sooner you start a policy the more powerful it can be. The reason you obtain a child's policy is because it can become part of the cornerstone of a multi-generational financial strategy that will benefit you, your child, and his or her family."*
>
> *"The perfect gift to give your child is participating whole life insurance. The gift will set in motion a financial strategy that will last your child's lifetime. It helps you teach the child financial stewardship and create a lifelong pool of money for your child to realize every opportunity. It is a gift that helps make your child's lifetime dreams come true."*

Become Your Own Bank

"By working together, parents and grandparents can create a legacy for their child(ren). Designed correctly and implemented carefully, participating whole life insurance can become part of a multi-generational family financial plan."

– A Path to Financial Peace of Mind – Dwayne Burnell

"If children followed the example established by their parents, i.e. purchasing life insurance on each newborn in the amount of $2,000 annual premium. Premiums are planned for a payment period of 22 years (approximately one generation)."

"After 22 years, the "base premium" can be paid by dividends from the policy itself from that point forward. Surplus dividends buy additional paid-up insurance. The net effect of this is that the policy can be continued with no additional outlay, yet the face amount and cash values continue to grow very significantly over the years."

– Becoming Your Own Banker – R. Nelson Nash

TEACH YOUR GRANDCHILDREN HOW TO BECOME YOUR OWN BANK

"As each generation becomes grandparents, they buy life insurance on their grandchildren. If the message is passed on to each child-bearing generation – as they become grand-parents – then you can create the same effect as "the even distribution of age classes" in the growing trees, but it is far more profitable and certain as to the results."

"You have created "perpetual motion" in your family's financial world!"

– Becoming Your Own Banker – R. Nelson Nash

BENEFITS OF TEACHING BECOME YOUR OWN BANK TO YOUR FAMILY

"There are a number of significant advantages to this plan:

- *It covers multiple generations – promotes long range planning.*
- *Underwriting problems are minimized.*
- *Tax-free build-up of cash values over a long period of time.*
- *Outlay is very small compared with the ultimate yield.*
- *Generation paying the premiums can most easily afford them.*
- *When death benefit occurs, the system becomes self-sustaining.*
- *Precludes any need for Social Security.*
- *Passive income is assured.*
- *Estate planning is greatly simplified.*
- *Wealth "mentality" is transferred to succeeding generations over a long period of time to produce consistent understanding. They are learning a process – not buying a product.*
- *Promotes the understanding of what stewardship is all about.*
- *Money won't buy happiness – but poor stewardship of money will steal happiness."*

– Becoming Your Own Banker – R. Nelson Nash

REVIEW OF WHY INTERGENERATIONAL FAMILY BANKING MAKES SENSE

- *"The core strengths of participating whole life insurance as the foundation of a lifetime financial strategy are*
  1) the prevention of capital loss,
  2) the compounding of money uninterrupted over time, and
  3) establishing the liquidity, use and control of your money without restrictions.
- *We establish a participating whole life insurance policy on a child not because he or she needs insurance to protect any dependents, but because this is an excellent wealth-building strategy. We are looking at whole life insurance as a financial tool.*
- *By starting a policy on a child who is 5, we capture the power of compounding over a time span of 60 years. During this time, our money inside the whole life policy experiences no capital loss, no drainage from fees, and it grows through the power of compound growth. As with any participating whole life policy, all the living benefits are available including use of the policy's cash value to fund life events. A whole life policy on a child allows you to capture time and make it work for you.*
- *You set up a participating whole life policy on a child to develop a multi-generational financial strategy. Parent and children then work together to fund and use the living benefits and the death benefit of participating whole life insurance to create a financial legacy that can span family generations. As the child's policy grows, the child's parents may opt to take a loan against the cash value in their child's policy to fund or supplement their retirement. When one of the parents passes away, the outstanding loan (with interest) in the child's policy can be repaid by the death benefit from the parent's policy. Death benefits are income tax–free.*
- *By starting a policy on a child, his grandparents have captured the power of time and compound growth. This policy allows the opportunity for multi-generational, wealth-building strategy that will help finance the child's life needs.*
- *By slowly taking control of those things that are truly within our control, such as our finances, we can gain a measure of peace of mind and security. Understanding our financial situation and being in control of our money is the cornerstone of a solid life plan.*
- *Resolve to make your financial choices with knowledge and a clear sense of your own financial direction. By taking charge and choosing guaranteed, predictable financial growth without unnecessary losses, you can grow and enjoy your wealth efficiently for your entire life.*
- *Consider that the goal is to build a financial strategy that will truly last a lifetime. Once we develop our skill and our financial knowledge, then we are in a position to thoughtfully choose the appropriate financial products that fit into and support this strategy.*
- *Participating whole life insurance customized and used as a financial tool can form the cornerstone of your financial strategy in the 21st century. The foundation of this strategy is built on predictable results, financial control, and lifetime access to your cash without penalty.*
- *So take your time to find an insurance representative who is knowledgeable and personally uses this approach."*

– Financial Independence in the 21st Century – Dwayne Burnell

USING BECOME YOUR OWN BANK FOR RETIREMENT

One of the key things to consider to motivate you to BECOME YOUR OWN BANK is that this policy can become the source of income when you decide to retire. Rather than depend on the skill of some mutual fund manager who cannot predict nor guarantee his performance, and where you will have continuous annual management and other fees, but will not be able to control or predict either what the market will do or what the tax rates will be by the time you retire, why not take control of your finances into your own hands and create a more predictable income stream and you can do so in a tax advantageous manner? You can do this simply by choosing to take policy loans from your policy say when you reach the age of 70 or 75 and when you no longer want to work. These policy loans will be tax free. The idea is that this is passive income covered by the dividend earned in your policy each year. Of course, in order for the cash value of the account to not go down, the policy loan amount should be lower than the amount of the annual dividend.

POINTS TO CONSIDER

"There are only two sources of income – people at work and money at work."

"The modern family has no money at work."

"Passive income is money that comes in every year and you don't have to do anything to receive it."

"If you knew, at passive income time, that you would be getting back everything that you paid into a system – tax free- would you object to putting more money in it?"

"If you owned a banking system, wouldn't you want to run all of your business through your bank? If this is so, then life insurance premiums paid each year should ultimately equal annual income. This can't be done immediately. It will take the average person about twenty years to reach this level. If this message is taught to succeeding generations, then a perpetual banking system can be achieved."

"Wealth has got to reside somewhere. Where would you prefer to have it reside?"

- *Real estate?*
- *The stock market?*
- *Or free contract with other free persons (Life Insurance)?*

"From this base of financial operation you can do any of the other things in life that you desire."

– Becoming Your Own Banker – R. Nelson Nash

WHAT IS BETTER – BECOMING YOUR BANK OR INVESTING?

Just as much as "common sense" is often not so common, so "conventional wisdom" is often not so wise. Most people have been programmed to believe that investing in the stock market via mutual funds and that putting away money into an IRA or 401(k) is the best way to plan for the future. Many people never put anything away for the future. They just hope or assume the government or "someone" will look after them when they grow old. Those who rely on the market just hope or assume what they put away will be enough to take care of them. But they never stop to investigate just what exactly has been the performance of the market. They just believe the common mantra they have heard that "the market always goes up over the long term" and that if they "dollar cost average" and "buy and hold" all will be well. They believe they will make 10% or 12% per year in perpetuity. I have even heard financial advisors tell their clients that they can "conservatively" expect to make at least 7.5% per year. But is any of this conventional wisdom actually true? Are these financial advisors willing to guarantee these "conservative returns" in writing? I seriously doubt it. Meanwhile they try to invest for their future retirement, without use or access to their money, they spend most of their life in debt paying hundreds of thousands of dollars of interest that could have made them financially better off.

In the Financial Freedom Seminar we advise people that for the majority of people they would be better off to focus their efforts first on getting out of debt, before they try to invest. The main reason for this is that typically the rates of interest that people are paying on what they owe are larger than what they can expect to make in an investment. The other reason is that paying down debt is a GUARANTEED rate of return whereas investing is NOT guaranteed. This is why it is typically not advisable to use leverage – the use of borrowed money to invest. In case it works out that is great! But if it does not, the investor on the one hand has lost his investment and on the other hand is on the hook to pay back the principal borrowed with interest. That will cause a lot of stress and is a waste of time.

Now as we said earlier, it is a good idea to have two pools of capital – one to "Pay yourself first" by putting away money that is designated to meet your long-term needs. This should be at least 10% of your disposable after-tax income. It is also recommended to set aside 20% of your income to pay down debt. Once you are debt free you will be able to accelerate the amount you Pay Yourself into YOUR OWN BANK account.

What good is it to try to gain new ground (an investment or new business) without first protecting the ground already gained (pay off mortgage to pay off house)?

The key here is to remember that before we run, we first need to walk, and before that to crawl and stand up. We often run into people who are very eager, almost desperate to learn how to invest. They see investing as both very interesting, but also as a panacea to rescue them from their debts. They think that if they just "hit the jackpot" by investing in the "right thing" they will be able to get ahead financially. Unfortunately this form of thinking is often subject to getting taken advantage of by unscrupulous financial advisors, seminar speakers, and charlatans who simply are looking out for themselves and make millions by handing out the wrong advice in over-priced seminars that can cost $10,000 or more. Unfortunately by the time the participants figure out that it is not so easy to invest as they assumed it's too late. As the popular saying goes,

> *"A fool and his money are soon parted."*

So now let's look at some more thoughts on this subject.

What good would it do to have saved $500,000 in an IRA or 401(k) or investment account (at risk) if there is no life insurance in case of unexpected death? Which is preferable? Buying a life insurance policy is an instant "asset".

Most people think it is foolish to get "only a 4% return" on a whole life insurance. They believe they can easily get a larger rate of return by investing in the stock market. Yet what they fail to see is that no investment account or bank account comes with a death benefit. Should something unfortunate happen to that person at a premature age, will the investment or bank account provide some coverage for their family and loved ones? Some will claim you can achieve that via a term insurance policy. And this is true to some extent, but as we stated earlier, that is short-term thinking. We want to think about both the short-term and the long-term. What happens after say 20 years when the term expires? Will the amount set aside for investment match or surpass the death benefit? Meanwhile all their premiums paid are gone forever.

> *"The insurance rate for paying the maximum premium into a policy that uses a paid-up additions rider is "overfunding". Overfunding is a strong financial strategy because every time a person puts a dollar into the policy beyond what is minimally due to keep it in force, he increases the cash value by more than the dollar he puts in."*
>
> *– Financial Independence in the 21st Century – Dwayne Burnell*

Many people do not realize that by running a dollar thru their BECOME YOUR OWN BANK policy, they will immediately get a multiple of additional death benefit, the amount determined by their age at the time, even if they take the money back out as a policy loan soon thereafter. This is a benefit worth seriously thinking about because no other investment vehicle will allow or promise this.

> *"If a person depletes his retirement fund to pay for college without a long-term strategy he is leaving himself in a financially weakened position."*
>
> *– Financial Independence in the 21st Century – Dwayne Burnell*

Many parents lovingly try to take care of their children, past the age of 18. Often times they will try to pay for their children's college education to "help" the child avoid taking on student loans. Although we are not categorically against that, we believe it may be better for the parent to consider an alternative. Rather than paying for their child's college education outright, why not "loan" the child the money from the life insurance policy, and have the child pay it back after he or she graduates once they get a job? This would benefit the child by not having to get into student loans with an external creditor, and would help the parent by restoring the money lent out so it is there for the time they retire. This way they are not depleting their own asset pool and losing out on the returns that money would have earned. It also teaches the young person that an education is not "free". Once a student is responsible to pay for their own education, suddenly they pay more attention and get more benefit out of the education versus if someone else pays for it.

Oftentimes people who have been putting money away in an IRA say they don't know where to get the money to fund a BECOME YOUR OWN BANK policy. The answer is simple. Stop funding the IRA.

"Redirect new money that he would have put into his IRA into the policy."

– Financial Independence in the 21st Century – Dwayne Burnell

And if possible, liquidate it, even if you have to pay the penalty and use the money to fund the policy more quickly. Of course, most "financial experts" will be quick to point out that doing so will incur a 10% penalty and income taxes. This is true. But the taxes are unavoidable – they will be paid either way – now or in the future when the money is taken out. The penalty is also true if the money is taken out before age 59 ½, but is it preferable to continue putting money into something that has not guaranteed outcome, and to have no access to that money simply for fear of paying the 10% penalty? Or is it better to start down a new path where the results are more predictable and where the money is under your control and available for your own use today and for the rest of your life?

EXAMPLES OF HOW TO PROPERLY USE A BYOB POLICY

Example 1. Illustration of policy used for student loan and retirement income.
In the following illustration, a woman opens up a customized participating whole life policy designed to work as her bank. In the first five years, she deposits $35,000 per year of premiums. We will assume this is a combination of salary contributions plus gradual liquidation of a retirement account. It should be noted that the $35,000 is not the base premium. It is the base premium plus an additional amount to buy Paid-Up Additions which will help her cash value and her death benefit increase at a faster rate. In the third year, it is assumed that her daughter begins to take a $15,000 policy loan to pay for her college tuition. Mother and daughter agree that once the daughter finishes college and is able to repay the loan from her work income, she will do so. In the meantime the loan accumulates interest. In the sixth year, the mother drops her annual premiums paid in to match her income. She is now paying $40,000 per year into the policy. Notice the cash value continues to grow thanks to the annual premium, plus the interest and dividends being credited into the account.

Customized BECOME YOUR OWN BANK Life Insurance Policy

Age Insured	Policy Year	Annual Premium	Annual Loan	Loan Repayment	Cumulative Loan&Interest	Total Premiums Contributed	Net Cash Value	Net Death Benefit
41	1	$ 35,000	$ -	$ -	$ -	$ 35,000	$ 26,463	$ 899,150
42	2	$ 35,000	$ -	$ -	$ -	$ 70,000	$ 54,396	$ 996,431
43	3	$ 35,000	$ 15,000	$ -	$ 15,750	$ 105,000	$ 74,911	$ 1,076,197
44	4	$ 35,000	$ 15,000	$ -	$ 32,288	$ 140,000	$ 96,930	$ 1,153,536
45	5	$ 35,000	$ 15,000	$ -	$ 49,652	$ 175,000	$ 120,094	$ 1,228,483
46	6	$ 20,000	$ 15,000	$ -	$ 67,885	$ 195,000	$ 129,585	$ 1,254,756
47	7	$ 20,000	$ -	$ -	$ 71,279	$ 215,000	$ 155,230	$ 1,295,504
48	8	$ 20,000	$ -	$ -	$ 74,843	$ 235,000	$ 182,092	$ 1,335,857
49	9	$ 20,000	$ -	$ -	$ 78,585	$ 255,000	$ 210,184	$ 1,375,881
50	10	$ 20,000	$ -	$ 7,500	$ 74,639	$ 275,000	$ 247,394	$ 1,423,603
51	11	$ 15,000	$ -	$ 7,500	$ 70,496	$ 290,000	$ 281,359	$ 1,458,755
52	12	$ 15,000	$ -	$ 9,000	$ 64,571	$ 305,000	$ 318,434	$ 1,496,116
53	13	$ 15,000	$ -	$ 9,000	$ 58,350	$ 320,000	$ 357,230	$ 1,534,194
54	14	$ 15,000	$ -	$ 9,000	$ 51,817	$ 335,000	$ 397,849	$ 1,572,996
55	15	$ 15,000	$ -	$ 9,000	$ 44,958	$ 350,000	$ 440,355	$ 1,612,630
56	16	$ 10,000	$ -	$ 9,000	$ 37,856	$ 360,000	$ 479,899	$ 1,642,422
57	17	$ 10,000	$ -	$ 9,000	$ 30,194	$ 370,000	$ 521,215	$ 1,673,661
58	18	$ 10,000	$ -	$ 9,000	$ 22,253	$ 380,000	$ 564,360	$ 1,706,519
59	19	$ 10,000	$ -	$ -	$ 23,366	$ 390,000	$ 599,995	$ 1,731,709
60	20	$ 10,000	$ -	$ -	$ 24,534	$ 400,000	$ 637,262	$ 1,758,302

Once the daughter starts to work and can afford to pay the loan back, she makes payments beginning in the 10th year of the policy of $7,500 per year. This reduces the loan outstanding and increases the cash value available to borrow again in the future. This is a preferable, better and more convenient way to fund a college education than borrowing from student loans or 529 college savings plans, which offer less flexibility and do not come with a death benefit. What may not be too evident is that by the 6th year of the policy the cash value exceeds the total premiums contributed. This can be seen by mentally adding the net cash value and the cumulative loan outstanding and comparing it o the total premiums contributed column. Later in life we assume that the income available to put into the policy drops a bit, so the Mom now puts in only $10,000 per year. By the end of the 20th year of the policy she has contributed $400,000. The student loan is paid off. The cash value of the account is now $637,262 which is available to borrow. Should the mother pass away unexpectedly she would leave to her daughter a $1.75 million tax free inheritance – the death benefit.

Assuming the mother lives another 20 years, she continues to fund the policy until she retires at age 65. Notice that starting at age 61 she starts to borrow $30,000 per year to supplement her income. Then starting age 66-80 she continues to borrow from the policy, until she passes away. Her net cash value and death benefit begin to go down slowly, but the point here is to realize that that is one of the "living benefits" of taking out this kind of policy. The point is to use part of it to live on in the later years. Once the mother passes on, she will still leave her daughter a substantial death benefit, which will be tax-free.

Customized BECOME YOUR OWN BANK Life Insurance Policy

Age Insured	Policy Year	Annual Premium	Annual Loan	Loan Repayment	Cumulative Loan&Interest	Total Premiums Contributed	Net Cash Value	Net Death Benefit
61	21	$ 8,000	$ 30,000	$ -	$ 57,261	$ 408,000	$ 643,226	$ 1,451,882
62	22	$ 8,000	$ 30,000	$ -	$ 91,624	$ 416,000	$ 649,222	$ 1,444,928
63	23	$ 8,000	$ 30,000	$ -	$ 127,705	$ 424,000	$ 655,262	$ 1,437,359
64	24	$ 8,000	$ 30,000	$ -	$ 165,590	$ 432,000	$ 661,364	$ 1,429,068
65	25	$ 8,000	$ 30,000	$ -	$ 205,370	$ 440,000	$ 667,495	$ 1,420,033
66	26	$ -	$ 50,000	$ -	$ 268,138	$ 440,000	$ 644,249	$ 1,375,412
67	27	$ -	$ 50,000	$ -	$ 334,045	$ 440,000	$ 619,400	$ 1,329,207
68	28	$ -	$ 50,000	$ -	$ 403,247	$ 440,000	$ 592,785	$ 1,281,412
69	29	$ -	$ 50,000	$ -	$ 475,910	$ 440,000	$ 564,332	$ 1,231,819
70	30	$ -	$ 50,000	$ -	$ 552,205	$ 440,000	$ 533,963	$ 1,180,220
71	31	$ -	$ 37,500	$ -	$ 619,190	$ 440,000	$ 514,588	$ 1,139,452
72	32	$ -	$ 37,500	$ -	$ 689,525	$ 440,000	$ 493,586	$ 1,096,939
73	33	$ -	$ 37,500	$ -	$ 763,376	$ 440,000	$ 470,754	$ 1,052,663
74	34	$ -	$ 37,500	$ -	$ 840,920	$ 440,000	$ 445,881	$ 1,006,632
75	35	$ -	$ 37,500	$ -	$ 922,341	$ 440,000	$ 418,751	$ 958,761
76	36	$ -	$ 37,500	$ -	$ 1,007,833	$ 440,000	$ 389,158	$ 908,953
77	37	$ -	$ 37,500	$ -	$ 1,097,600	$ 440,000	$ 356,952	$ 857,044
78	38	$ -	$ 37,500	$ -	$ 1,191,855	$ 440,000	$ 322,001	$ 802,742
79	39	$ -	$ 37,500	$ -	$ 1,290,823	$ 440,000	$ 284,052	$ 745,854
80	40	$ -	$ 37,500	$ -	$ 1,394,739	$ 440,000	$ 242,906	$ 686,280

Example 2. Illustration of policy used for business loans and retirement income.
In the following illustration, a man opens up an account at age 51 and funds it initially by making withdrawals from his IRA. He deposits $50,000 per year in the first five years. His primary use for the account initially is to fund short-term loans for his business. In the 3rd year he borrows $75,000 and pays it back with interest over the next two years. In year 6 he borrows again $150,000 and again pays it back over the next two years. He repeats this process a couple more times until he retires at age 65.

Customized BECOME YOUR OWN BANK Life Insurance Policy

Age Insured	Policy Year	Annual Premium	Annual Loan	Loan Repayment	Cumulative Loan&Interest	Total Premiums Contributed	Net Cash Value	Net Death Benefit
51	1	$ 50,000	$ -	$ -	$ -	$ 50,000	$ 38,964	$ 915,627
52	2	$ 50,000	$ -	$ -	$ -	$ 100,000	$ 80,041	$ 1,029,687
53	3	$ 50,000	$ 75,000	$ -	$ 75,000	$ 150,000	$ 53,487	$ 1,063,621
54	4	$ 50,000	$ -	$ 42,500	$ 38,063	$ 200,000	$ 148,959	$ 1,215,818
55	5	$ 50,000	$ -	$ 38,063	$ -	$ 250,000	$ 244,405	$ 1,364,352
56	6	$ 11,000	$ 150,000	$ -	$ 157,500	$ 261,000	$ 108,816	$ 1,220,166
57	7	$ 11,000	$ -	$ 90,000	$ 70,875	$ 272,000	$ 218,235	$ 1,320,611
58	8	$ 11,000	$ -	$ 70,875	$ -	$ 283,000	$ 312,829	$ 1,405,804
59	9	$ 11,000	$ 175,000	$ -	$ 183,750	$ 294,000	$ 153,760	$ 1,236,861
60	10	$ 11,000	$ -	$ -	$ 192,938	$ 305,000	$ 170,257	$ 1,243,013
61	11	$ 50,000	$ -	$ 192,938	$ -	$ 355,000	$ 428,848	$ 1,235,911
62	12	$ 50,000	$ 225,000	$ -	$ 236,250	$ 405,000	$ 261,333	$ 1,099,482
63	13	$ 11,000	$ -	$ 100,000	$ 143,063	$ 416,000	$ 387,925	$ 1,214,109
64	14	$ 11,000	$ -	$ 100,000	$ 45,216	$ 427,000	$ 520,574	$ 1,334,231
65	15	$ 11,000	$ -	$ 45,216	$ -	$ 438,000	$ 602,030	$ 1,402,586
66	16	$ 11,000	$ 75,000	$ -	$ 78,750	$ 449,000	$ 561,073	$ 1,348,059
67	17	$ 11,000	$ 75,000	$ -	$ 161,438	$ 460,000	$ 517,769	$ 1,290,771
68	18	$ 11,000	$ 75,000	$ -	$ 248,260	$ 471,000	$ 472,001	$ 1,230,583
69	19	$ 11,000	$ 75,000	$ -	$ 339,423	$ 482,000	$ 423,671	$ 1,167,419
70	20	$ 11,000	$ 75,000	$ -	$ 435,144	$ 493,000	$ 372,664	$ 1,101,180
71	21	$ 11,000	$ -	$ 250,000	$ 194,401	$ 504,000	$ 659,871	$ 1,372,605
72	22	$ 11,000	$ 75,000	$ -	$ 282,871	$ 515,000	$ 619,698	$ 1,316,089
73	23	$ 11,000	$ 75,000	$ -	$ 375,764	$ 526,000	$ 576,987	$ 1,256,481
74	24	$ 11,000	$ 75,000	$ -	$ 473,303	$ 537,000	$ 531,593	$ 1,193,568
75	25	$ 11,000	$ 75,000	$ -	$ 575,718	$ 548,000	$ 483,337	$ 1,127,167
76	26	$ 11,000	$ 40,000	$ -	$ 646,504	$ 559,000	$ 468,660	$ 1,094,102
77	27	$ 11,000	$ 40,000	$ -	$ 720,829	$ 570,000	$ 452,238	$ 1,059,531
78	28	$ 11,000	$ 40,000	$ -	$ 798,870	$ 581,000	$ 433,983	$ 1,023,283
79	29	$ 11,000	$ 40,000	$ -	$ 880,814	$ 592,000	$ 413,835	$ 985,132
80	30	$ 11,000	$ 40,000	$ -	$ 966,855	$ 603,000	$ 391,606	$ 945,001

Notice that his annual payments are $11,000 per year. When he is age 61 he sells a property and is able to deposit some extra money on top of his regular premium to buy more Paid Up Additions. By age 66 he decides to borrow $75,000 per year to live on over the next 10 years. His cash value and death benefit begin to go down slightly each year since he is withdrawing more than the dividend the policy pays him. At the age of 71 his mother passes away and leaves with a $325,000 tax free death benefit which he uses in part to live on that year, and the balance or $250,000 he deposits into his BYOB account to pay down the loan balance. Once he turns 76 he sells his home and thus lowers the amount he needs to live comfortably to $40,000 per year. He eventually passes away at age 80 and leaves a tax free death benefit of $945,000 to his heirs. Meanwhile he used policy loans totaling $966,855 which do not need to be repaid since they came out of his death benefit. Had he never borrowed that money, the death benefit would have been over $1.9 million. So here we see the benefit both of using the policy to borrow for business purposes, of having capacity to put unexpected money to work, and of funding his own retirement in a predictable manner. And finally when he passes away of leaving an inheritance to his family or charities of his choice.

> *"When (a policy owner) overfunds the policy, they use the paid-up additions rider to purchase additional whole life insurance. The payment of dividends on the paid-up additions causes the additional amount of money inside their policy (specifically the death benefit and cash value) to compound. This growth is an important cornerstone of a participating whole life policy designed as a financial vehicle."*
>
> *– Financial Independence in the 21st Century – Dwayne Burnell*

Take-aways: What these examples illustrate is that a BECOME YOUR OWN BANK policy is a flexible financial tool that has many "living benefits" and uses beside the death benefit. The owner can use it to fund their child's college education, their car purchases, business loans in case an opportunity shows up. It can also serve as a repository for unexpected income such as when a property or investment is sold or when the owner receives life insurance proceeds. The money can be used to buy Paid-Up Additions which help the policy grow at an even faster rate because most of this money is available immediately. It grows the death benefit by a multiple of the cash deposited immediately. It also is eligible to receive dividends and so helps compound the growth of the account. The money is always liquid when the owner needs or wants it. Best of all the money that one receives via a policy loan or as a death benefit is tax free. The money is easily available to be borrowed without any hassle of qualifications or fees or delays. The payment schedule is flexible and set by the owner to suit his cash flows and needs. NONE of these benefits are available to people who buy a term life insurance policy. This illustrates why it is important to understand how this tool works and what its benefits and qualities are and how they can benefit us while we are living. This adds a new dimension to the concept of Financial Freedom. It also shows us why the tv financial gurus and traditional financial advisors are not always right. The limit to the number of uses this tool can provide you are determined only by your imagination and the amount of premiums you can put into it, especially early on in life. The sooner you can get started, the more you will be able to enjoy use of your money when the opportunity arises.

EXAMPLE USING BYOB TO LEASE EQUIPMENT

"Let's turn to the matter of ownership of the policy (or policies). The company, a corporation, should not own it. He can improve the wealth building effects of the whole scenario by owning the policy himself, purchase the trucks himself, and ***lease the trucks to the corporation****, making sure that he has charged a lease payment that is as high as possible. He can get that figure from some leasing company that leases similar equipment. By doing it this way he can have an interest deduction for the policy loans used to purchase the equipment (the loans are for business purpose) – he can depreciate the trucks over a reasonable time – and he has a "captive customer" to lease the equipment to that is sure to make the lease payments."*

"The difference between the cash value and the original capital is the "interest" he paid his policy during the entire period – and he gets it all back on a tax-free basis!!"

"(Actually, this "interest" is not really interest – it is additional premium (capital) that has been paid into the policy that equals the interest that was being paid to the finance company. That is the reason that it is adding to the cost basis of the policy. If you have trouble understanding this, go back to the grocery store. If you still don't understand, then contact me!)"

"All interest involved in these illustrations has been paid by withdrawal of additional dividend credits."

"There can be even further improvements in the performance of the system. Just consider, at the age of 66 he might sell all his equipment to someone just starting out in the logging business and make a deal with him to finance all his future needs for equipment when he has to replace each item. After all, he has over $3,500,000 that is readily available to do so. In fact, he can make a very good living during retirement just leasing equipment to any number of businesses. Try this for an exercise. Next time you are making a fairly long trip on the Interstate Highway system, keep a tally of the trucks you see and note the percentage that are leased. It will stagger your imagination. Have fun!"

"The figures will vary with interest rates – and how you treat the system. Your behavior in managing the system is the most important factor in the entire equation."

"The result is limited only by the imagination of the policy owner."

EPILOGUE

"If a person obeys the principles outlined in the book the performance can exceed the results that are depicted in these illustrations."

– Becoming Your Own Banker – R. Nelson Nash

OVERCOMING COMMON OBJECTIONS TO BYOB
Generally, people who are not familiar with the BECOME YOUR OWN BANK concept or who have had a bad experience with a life insurance agent or have been misinformed by a "financial guru" might have some objections to what we have discussed so far. We now address some of the more common ones below.

- **Life Insurance is a Poor Investment**

As previously discussed, Savings and Investments have completely different purposes and roles in our financial life. Money that is saved should be placed in a financial vehicle that is safe and will grow at a steady rate without risk to the principal. Money that is put in an investment carries risk and could go up at a high rate of return, but could also result in a loss. There is no guaranteed return on the investment or of the investment.

> *"We must constantly remind the reader that in the IBC perspective, a person is not "investing" in whole life, but is rather headquartering his wealth in a whole life policy."*
> *– How Privatized Banking Really Works – Lara & Murphy*

A life insurance policy is not meant to be an "investment". Yet ironically, the money placed in it ends up being safer and could end up being worth more than an investment, without the risk and volatility associated with an investment. There is no investment that will pay you a death benefit should you happen to die prematurely, nor that will "grow as quickly" if you happened to pass away shortly after you buy the policy.

> *This occurs because of the mental block implanted by financial geniuses that "life insurance is a poor place to store money".*
> *– Becoming Your Own Banker – R. Nelson Nash*

- **If I buy term and investment difference, I can get a higher rate of return**

> *"BUT, I CAN GET A HIGHER RATE OF RETURN"*
> *– Becoming Your Own Banker – R. Nelson Nash*

Often times people who object to the "low rate of return" that a whole life policy pays, think they can get the same result and generate a higher rate of return by buying a term policy and investing the difference in mutual funds.

Again, this is comparing apples and oranges. What happens if a person buys a 20-year term policy and dies in the year 21? Who can guarantee either that he can buy another term policy at an affordable rate for another 20 years? Or that the "difference he invested" actually will be worth more than the cash value of the whole life policy? Remember investments generally don't come with a "guaranteed" higher rate of return. If an investment has a potential higher rate of return it generally also carries a higher risk.

Also remember that the point of BECOMING YOUR OWN BANK is not to get a "higher rate of return", but rather it is a better way to finance all of your major purchases and allows you to capture all the money you would otherwise pay out to someone else's bank into your own pocket.

> *"We are not addressing the yield of an investment – we are discussing how you finance anything that you buy. It is always better to finance it through your banking system than out of your pocket."*
>
> *– Becoming Your Own Banker – R. Nelson Nash*

Nelson Nash offers the following example:

"Suppose that 'A' invests $100,000 for one year and earns 20%:

Gross yield	$	20,000
Less taxes (30%)	$	(6,000)
Net yield	$	14,000

"Suppose 'B' builds cash values of $100,000 in his own Infinite Banking Concept (Dividend-paying life insurance) plan, then borrows it from his system for 8% and then makes the same investment as 'A' above. The results are like this:"

Gross yield	$	20,000
Less interest paid to his banking system	$	(8,000)
Taxable gain	$	12,000
Less taxes (30%)	$	(3,600)
Net yield	$	8,400

"BUT, in this case you must remember who the characters are in the play. 'B' also owns the policy in which interest is paid and earns the $8,000 on a non-taxed basis. So the total results are like this:"

Net yield from the investment	$	8,400
Net yield from his banking system	$	8,000
Total yield	$	16,400

> *"This principle applies to any investment that you might make, so there is no way that a person can "get a higher rate of return" by ignoring the banking process!"*
>
> *– Becoming Your Own Banker – R. Nelson Nash*

- **Won't I get ripped off by the huge agent commission?**

As previously stated, regardless of what type of life insurance you buy – term or whole, a significant portion of the money you pay in the first year will be used to pay your agent's commission. But why focus on this cost, which is inevitable, rather than focus on the "living benefits" and the death benefit that establishing a BECOME YOUR OWN BANK account will give you? It's no different than being "ripped off" because you plant a seed and it does not yield fruit in the first year. You have to think long-term benefits, not short-term reward. Or saying that you were "ripped off" by your university when you have not recouped your investment in your education after a couple of years after graduating. The other thing when talking about getting "ripped off" by an agent or a life insurance company, if you compare a term policy vs. a whole life, where do you really get ripped off after 10 or 20 years? In the term policy unless you die within the term you will never see a dime of your money back, and even if you die, you still won't see it yourself. In the whole life policy, you do get all of your money back after a few years via dividends, AND you also get to enjoy the use of your money throughout your lifespan by being able to borrow against the cash values.

> *"It is important to note that a whole life policy configured according to Nelson Nash's philosophy actually minimizes the proportion of the initial premium payments going to the agent's commission. This is why it is important to obtain a whole life policy from an agent who truly understands and believes in the IBC mindset."*
>
> *– How Privatized Banking Really Works – Lara & Murphy*

- **I heard the insurance company takes my cash values when I die!**

This is generally "true", but it shows as lack of understanding how life insurance works. When you buy an insurance policy you make an agreement that you will make premium payments in exchange for an outcome of a payout should an incident occur. For example in a car accident, if you have an accident, you don't "get your cash values" back. You get the amount of money that is needed to pay to repair your car damages. In the case of a health insurance, you don't "get your cash value back". The insurance company covers you in case you have an accident or a serious illness. Likewise, in life insurance policy, the premium payments you are making consistently and continuously are being used to build up the cash value which one day will be converted into the death benefit. Unlike the other types of insurance this one is guaranteed that one day the insurance company will have to pay out the death benefit to your beneficiaries, unless you decide to cash out the policy prematurely. They obviously are not going to pay you're the cash value plus the death benefit. It's one or the other.

> *"Upon the death of the insured, the insurance company sends a check for the **death benefit only** to the beneficiary. The cash value of a policy, for any given year, merely shows what the policy holder would receive if he were to surrender the policy at that time. (Equivalently, it shows the upper limit of what he could borrow against the policy.) The reason the insurer can afford to give a cash value upon surrender, is that it won't have to pay a death benefit on a surrendered policy."*

"The cash value is defined as the difference between the looming death benefit and the remaining premium payments, adjusted for the time value of money and the probabilities of death at various points in the future."

– How Privatized Banking Really Works – Lara & Murphy

- **What if the insurance company goes broke?**

Insurance companies are highly regulated by the government to make sure they will pay claims as agreed upon. Thus generally speaking they are run more conservatively than banks or other financial institutions. Most insurance companies also carry re-insurance. This means should they suffer a large enough loss, they too are insured by another company who steps in to take care of unusual circumstances.

"The very nature of the life insurance business makes it an excellent hedge against the boom-bust cycles caused by fractional reserve banking."

– How Privatized Banking Really Works – Lara & Murphy

Insurance companies are highly regulated. They are required to maintain reserves and low leverage.

What about hyperinflation?

Hyperinflation is a situation where money is being printed at ever increasing rates causing the price of everything to go up.

"A contract allows the insurer to adjust the policy loan rate in accordance with Moody's long-term corporate bond yields. The cash values are not growing as quickly as the policy loan."

– How Privatized Banking Really Works – Lara & Murphy

- **Why can't I 'bank' by borrowing against my house or other assets?**

The main thing to remember is that neither your house nor your bank accounts have an obligation to deliver a death benefit at the end of your life nor do they pay you a healthy annual interest rate. While you can borrow against your house, unless you have an equity line of credit in place, this will cost you time, fees, and an annual renewal fee. If you do a cash-out refi, you have to provide all the documentation the bank requires plus you are subject to the same terms and rigor as if you were buying the home. This is an expensive and tedious process. Compared to the BYOB policy the difference is like night and day.

"Someone requesting a policy loan on his whole life cash values just needs to give the dollar amount to the insurance company. They don't ask the purpose, they don't run a credit check, and they don't care if the applicant has any income at all. They will grant the loan with a contractual rate of interest, and if the applicant decides to stop making payments, the outstanding balance will grow but the insurer will not object."

– How Privatized Banking Really Works – Lara & Murphy

- **What happens if I don't pay the policy loan back?**

While it is in your best interest to pay back any policy loan you take out at a greater interest rate than the minimum required by the insurance company, you don't have to pay it back.

"The insurance company is quite content to let the balance on a policy loan roll over at interest, because it will instantly get its money back when the insured dies and the death benefit must be paid on the policy. At that point, the insurance company deducts the outstanding loan balance."

– How Privatized Banking Really Works – Lara & Murphy

WORDS OF ADVICE

Before we end this chapter, we would like to leave you with a few words of sound advice.

Have a long-term perspective and differentiate between Savings and Investments

- *"It's natural to start thinking about our future when we commit to long-term relationships, start a family, and our career. As you develop a lifetime financial plan, spend time becoming clear on whether you are saving or investing. Many financial problems arise when we use a product designed for one purpose (e.g., security and protection) but want a specific result the product is not designed to achieve (e.g. a high rate of return). We might also incorrectly expect a product primarily designed for growth, which contains a higher level of risk, to operate as a savings product."*

  – Financial Independence in the 21st Century – Dwayne Burnell

Design your BECOME YOUR OWN BANK policy right from the start and begin early

- *"A basic whole life policy is designed with the goals of financial protection, saving, and steady, predictable growth without the risk of loss. By customizing a whole life policy to work as a financial vehicle, we can actually turbo-charge its built-in strengths. The core goals are to design a whole life policy that takes advantage of the living benefits much sooner, and to have greater flexibility as to the amount of money we can contribute to the policy."*

  – Financial Independence in the 21st Century – Dwayne Burnell

Pay your policy loans back

It is important to keep in mind that in the early years of your BECOME YOUR OWN BANK policy, you need to pay back your policy loans to enable the account to grow more each year.

- *"You should not borrow against your policy if you do not believe you can pay it back in the future or you do not understand how this will impact your policy's performance over the long-term. Take the time necessary to understand how your whole life policy works, and the long-term impact of your choices on the policy's effectiveness. Remember that good stewardship and responsibility are critical to the effective use of a participating whole life policy as a financial tool."*

  – Financial Independence in the 21st Century – Dwayne Burnell

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If you take out a loan, make sure you have a plan in place to re-pay it. Otherwise, you might ruin your account if you take out the money to invest and then lose that money should the investment no go well.

- *"Loans have to be paid back or you can kill the best business in the world."*
  – Becoming Your Own Banker – R. Nelson Nash

Years ago during an oil boom, *"the bank owners were making loans to themselves to invest in the oil business where they were going to "make a killing" and neglecting to repay the loans. There was a big energy crisis. When the oil business returned to normal these folks lost both their oil business and their banking business. Had they repaid their loans plus interest, their bank would have still been in operation but greed prevailed and "did them in"." – Becoming Your Own Banker – R. Nelson Nash*

CONCLUSION

We hope by now it is clear to you that you need to be in two businesses: Your Own Business, and in the Banking Business. Initially your own business will feed and create your banking business, and in the latter years your banking business you take care of you and could provide the funds for your own business.

For the banking business to work we need to follow a few simple Laws of prosperity.

> *"The main ideas are quite simple: Money should be sound, banking should be honest, and households should be frugal."*
>
> *– How Privatized Banking Really Works – Lara & Murphy*

Sound money begins with what we use as money. Gold used to be money, until the government replaced it with paper money. Gold cannot be someone's equity and someone's liability at the same time. Gold can only be at one place at one time. It is the only asset that is no one else's liability. Gold cannot be produced or printed at will by the stroke of a pen or a computer.

Honest banking requires that one dollar of capital be behind each loan. The fractional reserve banking system is a fraud. It is what is responsible for so much instability in the financial system today. Should someone who has borrowed money default on their loan, the system begins to collapse upon itself resulting in deflation. If the government prints money at will, they create inflation. Banking needs to be honest for an economy to be stable.

The art of saving has been lost for a long time. American consumers have been taught to rely on credit for a long time. Most people live beyond their means and are continuously getting into debt when they can't afford what they want. Our goal is to teach people the sound principles of prosperity and good money management.

> *"Households need to live within their means. They need to save more."*
>
> *– How Privatized Banking Really Works – Lara & Murphy*

One of the main observations made by Nelson Nash is the following:

> *"You finance everything you buy. You either pay interest to someone else or you give up interest you could have earned elsewhere. There are no exceptions."*
>
> *– Becoming Your Own Banker – R. Nelson Nash*

Given that this is the case, our primary purpose should be to take control of the banking function in our lives. This means to cut out the banks out of our life which suck the life out of us via interest payments. In this seminar we have explained how a properly designed life insurance policy can take care of not just your need for a death benefit, but more importantly can provide you several "living benefits". The most important of these is your ability to finance all of your major purchases, thereby allowing you to recapture the interest you would have otherwise paid to someone else's bank making them rich instead of making yourself rich.

"Your need for finance, during your lifetime, exceeds your need for life insurance protection. If you solve for your need for finance through life insurance cash values, you will end up with so much life insurance; you can't get it past the underwriters. You will have to insure every person in which you have an insurable interest."

– Becoming Your Own Banker – R. Nelson Nash

HOW VALUABLE IS A COLLEGE EDUCATION?

From a young age, most people are programmed to believe certain things. One of these is that the only way to get ahead in life is to study hard, get good grades, go to college, graduate and get a good job with benefits. When people believe this, they are predisposed to become a student, a borrower, an employee, a consumer and a taxpayer. All of these things are designed to take money out of our pocket from a young age for years, perhaps the rest of your life if you are not careful and become a "modern financial slave". The material we present here provides a practical, hands on way to release yourself from the clutches of "financial slavery" and gives you the tools and means necessary to BECOME YOUR OWN BANK and eventually become Financially Free Forever!!!

Nelson Nash has an interesting point of view on a college education, which we would like to share as a parting thought. What is the point of getting a college education? What is its economic value? How long does it take to get ahead in life? What is the monetary value of the opportunity cost while you are going to college – the money that could have been earned during the years that you went to school and what that money would have earned over the rest of your life?

"Look at the monetary value of the college degree as compared with an alternative – teaching the child the value of learning banking through the use of dividend-paying whole life insurance."

"In evaluating just the financial benefits of the college degree at a cost of $80,000 vs. putting the same $80,000 into high-premium whole life insurance, I don't believe the degree is as valuable."

– Becoming Your Own Banker – R. Nelson Nash

In other words, if each student aged 18 would be given a choice: Borrow to go to college or Work hard and buy a whole life insurance policy with your earnings instead, what would they choose? What would provide them the most money in the long-run? Say in 10 years, or 20 years or 50 years from now?

"The cost of "a college education" has risen much faster than inflation in the rest of the economy."

– Becoming Your Own Banker – R. Nelson Nash

Virtually anyone would most likely agree with the statement above. But why is that? Especially given that what is taught in a university is basically the same thing that was taught 20 years ago!

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"The college degree is extremely over-rated in its value."

"Even doctoral students go to school not to learn, but to get certified."
– Becoming Your Own Banker – R. Nelson Nash

Many people, even many of those who go to a university and graduate from a bachelor's or master's program are "educated", yet do not know to think for themselves.

"What is killing us is having to teach students to read and compute and communicate and to think."
– Becoming Your Own Banker – R. Nelson Nash

They are ready to take on the world, yet do not know much about the most important things in life. They know a lot about a lot of things, yet most graduate not knowing much about how money works. This is why we teach the Financial Freedom Seminar.

TO BECOME FINANCIALLY FREE TAKE CONTROL OF THE BANKING FUNCTION IN YOUR LIFE NOW!

Now, the reason we have developed this seminar is to show you how to put into practice what is taught in the Financial Freedom Seminar and show you why you need to BECOME YOUR OWN BANK and how to do it properly. Once you have a "financial education" and also a "banking education", you are ready to truly take control of your own financial life and destiny and can take back the control of your life.

"In a short while a person with a "banking" education can enjoy a very good income just from the leasing business."
– Becoming Your Own Banker – R. Nelson Nash

Ultimately our goal is to see this nation become debt free and prosperous. But prosperity and change begins with all of us becoming responsible for our own selves and our own education and financial well-being. This starts with adopting a new consciousness and a new mindset. This requires a willingness to change how we think and to change ourselves.

"We implement little actions each day to move ourselves forward."
– Financial Independence in the 21st Century – Dwayne Burnell

People are in such a hurry to "get rich quick" that they often fall prey to various types of "multi-level marketing" and pyramid schemes. Others fall pretty to "get rich quick" seminars which promise that if you pay them $10,000+ they will teach you how to get rich by investing in real estate, the stock market, options, or any other number of things.

"Those who want to get rich fall into temptation and a trap and into many foolish and harmful desires that plunge people into ruin and destruction." – 1 Timothy 6:9 NIV

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"Good planning and hard work lead to prosperity, but hasty shortcuts lead to poverty." – Proverbs 21:5 NLT

Our goal is not to teach you how to "get rich quick", but rather how to "get rich slow". By proper planning and design, combined with steady and consistent actions, work, savings, and the discipline and foresight to open a whole life insurance policy designed to work as a bank from a young age, a person can BECOME THEIR OWN BANK and thus take control of their financial future.

> "If *you can truly capture the power of compound interest, you therefore create a growing financial reserve.*
>
> *When you place money in a vehicle that harnesses the power of compound interest, you grow your money at a steady, predictable, and sustainable rate. The sooner you start to save, the greater the benefit of compound interest."*
>
> – *Financial Independence in the 21st Century – Dwayne Burnell*
>
> *"If you are someone who has the discipline that can be implemented to make this work, you can create a legacy beyond your wildest dreams."*
>
> - *Life Insurance – Will It Pay When I Die? - By Thomas W. Young*

We hope that you have found these thoughts useful and insightful and have been motivated to BECOME YOUR OWN BANK. If you would like to explore this further or would like more information to see how this can work for you, please let us know how we can help. We would love the opportunity to help guide you so you can be on your way towards Financial Freedom and Prosperity in any way we can.

Thank you for your time and may you Dare to Prosper!

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FREE 1 Hour Private 1:1 Consultation

If you would like to set up a free 1-hour private 1:1 consultation with one of our financial consultants to see if this is right for you, please contact us. In this consultation, we will analyze your current circumstances, your goals and plans for the future, and do a financial analysis of your personal situation and recommend a solution customized for your needs. We are a professional financial education and planning firm. BECOME YOUR OWN BANK is not recommended for everyone. It is not a one size fits all. Any information you share will remain confidential. By participating in a private consultation, you will be treated with respect. There will be no pressure or obligation to buy anything. There will not be a sales pitch at any time. If you feel this is something that is right for you, you will make that determination at the right time.

www.becomeyourownbank.com

