# A Modern Approach to The Infinite Banking Concept:

# *The Self Banking Blueprint*

*A Modern Approach to the Infinite Banking Concept*

*Steve Gibbs, Esq.*

**Second Edition**

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# ABOUT THE AUTHOR

Steve Gibbs is the CEO, Co-Owner, and Co-Founder of Insurance and Estate Strategies LLC and InsuranceandEstates.com. With over a decade of experience in estate planning and asset protection, Steve specializes in coaching families on legacy preservation and wealth transfer strategies.

Key highlights:

- Launched a private trusts and estate law practice in 2008
- Held legal licenses and accreditations in CA, FL, and MN
- Licensed insurance agent since 2017, active in all 50 US states and DC
- Top-producing agent for strategic permanent life insurance solutions in 2021
- Recognized by Penn Mutual as a top rising star and Century Club award recipient in 2021

Steve's expertise lies in achieving estate planning objectives through estate documents, legacy training resources, and properly designed cash value life insurance. His unique approach emphasizes intuitive planning and multifaceted strategies to meet client objectives. As a recognized expert, Steve has been featured in high-profile publications such as Think Advisor.

Comments and questions are welcomed and can be submitted at steve@insuranceandestates.com.

**“One who lacks independent thinking becomes a victim.”**

*Vernest Hines Likkel*

# INTRODUCTION: Welcome to the Journey!

***"A journey of 1000 miles begins with a single step."****—Lao Tzu*

Welcome to The Self Banking Blueprint!

Thanks for investing your time here. Think of this book as your guide to reimagining personal finance—and maybe even rewriting the rules you've been taught. My goal is to share the same perspective shift that changed how I see money, freedom, and opportunity.

This book isn't just about financial strategies—it's about reimagining your relationship with money and unlocking your financial potential. Whether you're new to these ideas or looking to deepen your understanding, I'm excited to walk you through the principles that have revolutionized my approach to wealth building and financial freedom.

So, let's begin this exploration together. Get ready to challenge conventional wisdom, discover powerful new concepts, and potentially reshape your financial future.

I'll start by sharing some of my journey.

I come from a family of gritty, self-made businesspeople—fiercely independent, unshakably confident.

Even though I grew up watching them take risks and win big, it took me years to understand what truly drove them. What do I mean by that? Let me explain.

I followed the rules, got decent grades and ended up graduating law school with honors. I pursued jobs, clerked in the court system and worked for a law firm. To my credit, during that time I was reading books like "Rich Dad Poor Dad" and they resonated, but it took years for me to sort out my internal conflict.

You see, like many I was trading my freedom for security, my internal direction for marching orders, my desire to create, for a task list.

We'll get back to that.

My uncle was a character—tall, flamboyant, and athletic, with sharp Nordic features that fit right in back home in Minnesota. Though our interactions were limited, he occasionally shared pearls of wisdom with me.

"Steve," he'd say, "there are plenty of smart people in this world who are broke."

He also emphasized the importance of punctuality and good manners. After my first daughter was born, he asked me about my values; a question I brushed off, assuming it was leading to a life insurance pitch. I bought a small term policy anyway. It lapsed. But the conversation stuck with me.

His life ended tragically in a motorcycle accident years later, but his impact and legacy live on. His foresight continues to provide his sons - my cousins - with significant security and opportunities.

My father, on the other hand, has dedicated his life to real estate and business brokerage, helping investors and entrepreneurs build their legacies. From him, I learned the value of aggressively pursuing opportunities and that ownership, freedom, and risk are inseparable companions on life's journey.

These two influential figures in my life, each in their own way, shaped my understanding of legacy, financial security, and the pursuit of opportunities.

With these influences, I chose law, mostly because I wanted to get smarter (and learn the rules of "the game"). My individualistic DNA was always running in the background.

After years of chasing career opportunities, life pushed me toward entrepreneurship—whether I was ready or not. Remember 2006–2007? I was in real estate development when my "secure" job vanished overnight. Big house. Little kids. Even bigger uncertainty.

So, I started a commercial cleaning company…selling business accounts door to door…hiring workers, etc., and did that for several years. Soon my mind craved something more and I moved back toward law, this time with entrepreneurial aspirations.

The idea of helping people set up trusts for asset protection and estate planning caught my attention. When I hung my own shingle I said to myself, "you're finally in the game."

Back to that paycheck thing.

**Lesson #1: Most people trade freedom for the illusion of security.**

They play it safe, follow orders, and call it stability. But it's not. It's the fastest way to drain your creativity and dull your sense of purpose.

Too often, it is a prescription for the exhaustion of your creativity and drains your vital life force, leaving you hollow.

Relationships suffer. Kids grow up with absent parents—well-meaning but exhausted. I've seen too many people give up freedom for a paycheck and call it responsibility.

What drives all this?

*Fear?*

*A sense of obligation?*

*Lack of freedom to choose?*

*And what really is security?*

I'd like to share with you an alternative perspective, which marks the beginning of the I&E journey.

At I&E, our mission is simple: give you tools to navigate a financial system that wasn't designed with your freedom in mind. Our goal is to suggest ways to possibly shift your focus and reconsider your approach to finance and life.

We aim to present ideas that could help you reflect on your purpose and perhaps reconnect with your innate potential.

You see, we believe that each person has something unique to offer the world. Our role is simply to provide information and concepts that might help you uncover and nurture your individual gifts and abilities.

This isn't about us having all the answers, but rather about exploring these ideas together and seeing if they resonate with you and your personal journey.

**This is Lesson #2 on the journey.**

Reprogramming is often required because we've all been influenced by a system that is largely broken.

**This is Lesson #3 on the journey**

At I&E, we appreciate the strengths of America and its capitalist system. However, we believe some aspects of our current system may not be serving everyone's best interests. We've identified four areas of concern:

1. Education: We feel the current system may sometimes prioritize conformity over individuality, potentially encouraging a sense of classification based on social factors rather than personal strengths.

2. Finance: We question whether the prevalent model of entrusting banks and fund managers with full control of personal finances is always the best approach for individuals.

3. Perception of Money: We suggest reconsidering the idea that money itself has inherent value or that personal worth is directly tied to financial status. Our view is that true value lies in people, not in currency.

4. Political Engagement: We encourage viewing government as a public service rather than an authority to fear or rely upon for handouts. We believe in an informed and engaged citizenry.

These perspectives form the foundation of our approach at I&E. We offer them not as absolute truths, but as alternative viewpoints for your consideration. Our goal is to provide information that might resonate with those seeking different financial and life strategies.

You're at a crossroads in your financial journey. At I&E, we're here to offer you a different perspective—if you're ready for it.

We invite you to:

**1.** Reconsider your preconceptions about finance and success

**2.** Explore new paths if your current one isn't fulfilling

**3.** Learn from our experiences and insights

Our approach focuses on:

**1.** Discovering your authentic self and unique contributions

**2.** Empowering you to create value, not just earn a paycheck

**3.** Passing on this mindset to future generations

This is what legacy really means; it’s bigger than money. It’s about mindset, empowerment, and the example you set for those who follow.

This journey begins with a shift in perspective and a single step. It's about taking control of your financial future and charting your own course.

We're not claiming to have all the answers, but we're offering a different way of thinking about wealth, success, and legacy. If this resonates with you, we're here to guide you through this process of discovery and empowerment.

We suggest creating and following a plan that puts you back in control of:

- Your resources
- Your intentions
- Your creativity
- Your finances

This shift in mindset can be profound. It's about reclaiming ownership of your financial and personal decisions. While it may seem like a small change at first, it has the potential to significantly impact not just your life, but potentially the lives of future generations in your family.

This approach isn't about quick fixes or get-rich-quick schemes. Instead, it's about fundamentally changing how you view and interact with money, aligning your financial strategies with your personal values and goals.

Remember, this is a journey. It takes time, effort, and commitment. But we believe the long-term benefits, both for you and your loved ones, can make it worthwhile.

Are you ready to explore this different approach to managing your finances and building your legacy?

What you'll learn in the pages of this book:

- Why banks profit when you save (and how to flip this).
- The 5 wealth-building secrets Wall Street doesn't teach.
- How to borrow money and still earn interest on it.
- A tax-free way to access your money anytime.
- The strategy Ray Kroc and Walt Disney used to fund their empires

If you’re ready, let's get started!

*—Steve Gibbs, Esq.*

# Chapter 1. Behind the Banking Curtain

***"Pay no attention to that man behind the curtain."****—The Wizard of Oz, played by Frank Morgan in the 1939 classic*

## Is a bank the safest place to put your money?

We've all heard phrases like "you can bank on it" or "money in the bank," as if banks represent stability itself. But what if that confidence is misplaced? What if the system we've trusted for generations isn't designed with your best interests in mind?

Before we peel back the curtain, let's define what banking actually is.

Banking typically involves two main activities:

1. Safeguarding money for individuals or organizations (deposits)
2. Lending that money to others for profit (loans)

In essence, a bank:

- Accepts deposits from customers who want to keep their money safe
- Uses those deposits to make loans to other customers
- Earns a profit from the interest on these loans

It's important to note that banks must also ensure that depositors can access their money when needed. This means maintaining a balance between lending and keeping enough cash on hand to meet withdrawal requests.

This basic model forms the foundation of most banking operations. While modern banking involves many more complex services and products, at its core, it still revolves around these fundamental principles of taking in deposits and making loans.

Understanding this basic concept is crucial as we explore alternative approaches to managing your finances and building wealth

## How do banks really make money?

Let’s be clear: profit isn’t the problem. The issue is how the system’s designed. When you deposit money, the bank doesn’t just hold it—it uses your funds as a launch pad to create far more money through lending.

This process is called fractional reserve banking—and it changes everything about how money actually works.

First, when you give your money to a bank, they can use it as sort of a baseline for their lending activities. This sounds fair, right? Yet the catch is that the lending ratio isn’t dollar for dollar or even a 2 to 1 ratio. Banks lend money at a multiple of many times over what consumers have deposited and this is called fractional reserve banking.

## The Fractional Reserve Banking System

Fractional reserve banking is the standard practice in modern banking systems worldwide, including in the United States. Here's how it works:

- Banks are required to keep only a fraction of their deposits in reserve (readily available for withdrawal).
- The rest can be lent out or invested.

*For example:*

- If a bank has $100 in deposits, it doesn't need to keep all $100 on hand.
- It might keep only $10 (or another percentage) in reserve.
- The remaining $90 can be used for loans or investments.

*Key points:*

1. "Reserve" refers to the money the bank keeps readily available for withdrawals.
2. Banks can lend out more money than they actually have on deposit.
3. This system allows banks to create credit and expand the money supply.
4. In the U.S., virtually all chartered banks operate under this fractional reserve system.

This practice is fundamental to how modern banking works, but it's also a concept that's often misunderstood or overlooked by many bank customers. Understanding it can provide important context for alternative financial strategies.

## Full Reserve Banking vs. Fractional Reserve Banking

Let's look at the difference between full reserve and fractional reserve banking.

Full Reserve Banking:

- For every $1 deposited, the bank keeps $1 in reserve
- 100% of deposits are available for withdrawal at any time
- Prevents bank runs, where all depositors withdraw funds simultaneously

Bank Runs:

- Occur when many depositors withdraw funds at once
- Often triggered by economic instability or loss of confidence in banks
- Rare but historically significant events

Fractional Reserve Banking (in contrast):

- Only a fraction of deposits are kept in reserve
- Allows banks to lend out more money than they have in deposits

*Examples:*

1. $50 in deposits might back $100 in loans (2:1 ratio)
2. $10 in deposits might back $100 in loans (10:1 ratio)

This system allows banks to create credit and expand the money supply, but it also means not all depositors could withdraw their funds simultaneously if a bank run occurred.

Understanding these different banking models helps contextualize modern banking practices and their implications for the economy and individual financial strategies.

## I'll demonstrate this idea with an enjoyable vignette:

### *Tank's Full Reserve Banking*

Tank Keens, the biggest kid on the block, started a money-protection service for his schoolmates. For a small fee, usually a weekly dessert, he'd keep their lunch money safe. This arrangement worked well for everyone involved and represented a simple form of full reserve banking. Tank held all the deposited money without lending it out.

### *Tank Gets Greedy*

To expand his profits, Tank began accepting deposits for a full week in advance. This gave him a larger pool of money to work with. He then started offering short-term loans to kids who wanted extra cash for things like pizza, charging interest on these loans. Tank assumed this was fine as long as he collected the loans within a week, before depositors needed their money back.

### *Tank the Lender*

As his business grew, Tank dropped the protection fee to attract more depositors. He also introduced paper IOUs that became as valuable as cash on campus. Realizing he always had more money on hand than needed, Tank started issuing more IOUs than he had actual cash, effectively moving to a fractional reserve system.

### *Tank Turns to Fractional Reserves*

At one point, Tank had loaned out about $25 for every $1 he held in deposits, dramatically increasing his profits. However, two math-savvy students, Jake Milton and Maggie Freeman, noticed the unusual increase in money circulating around school. They deduced that Tank was lending out more than he had on hand and began questioning the safety of this system.

### *Tank Crashes*

As doubt spread, the value of Tank's IOUs plummeted. When everyone demanded their money back simultaneously, Tank couldn't meet the requests. His fractional reserve system collapsed.

### *Tank is Bailed Out*

Just as Tank's financial empire was crumbling, a school administrator named Paul Henryson stepped in with a massive cash injection to cover all depositors. This bailout, funded by raising school fees for all students, was implemented to prevent the collapse of the school's economy.

*This story illustrates the basic principles of full reserve banking, fractional reserve banking, the risks of over-leveraging, and government bailouts in a simplified, school-yard context.*

## The Bank Collapse of 2007

Let me share a more personal perspective on how the story of Tank relates to real-world events:

### *The 2007-2008 Financial Crisis*

While our story about Tank might seem simplistic, it actually mirrors significant events in recent history. The financial crisis of 2007-2008 bore striking similarities to Tank's situation, resulting in widespread bank failures and government interventions.

### *My Experience in South Florida*

As a young lawyer starting my practice in South Florida during this time, I witnessed the aftermath firsthand. South Florida was particularly hard-hit, being heavily reliant on real estate. I found myself representing many clients facing foreclosure and economic hardship due to the market collapse and broader economic downturn.

### *The Human Cost*

The impact on individuals was profound and often heartbreaking. I saw people lose years of accumulated wealth, their homes, and their livelihoods. The stress was overwhelming for many. In one particularly sad case, a client of mine passed away, likely due to the immense pressure of their situation.

### *Reflections on the Banking System*

These experiences led me to reflect deeply on our banking system. While it's important to note that banks play a crucial role in our economy, the events of 2007-2008 highlighted some of the risks inherent in the current system.

I share this not to be alarmist, but to emphasize the real-world implications of financial systems and policies. Understanding these dynamics can help us make more informed decisions about our personal finances and perhaps consider alternative approaches to managing and growing our wealth.

## Back to Tank

Let me continue the story and introduce some additional concepts:

***Tank's Rebound***

Despite the crisis, Tank managed to recover and even thrive in the aftermath. His business model, though shaken, remained largely intact. This mirrors the real-world scenario where many banks emerged from the 2008 crisis stronger than before.

***Persistent Critics***

Jake and Maggie, representing those who saw flaws in the system, continued to voice their concerns. However, their warnings often fell on deaf ears. Most of their peers had become so accustomed to Tank's system that they couldn't imagine an alternative. They acknowledged the system's imperfections but assumed it was still the best option available.

***Limitations of the Analogy***

While this schoolyard story helps illustrate some key concepts of fractional reserve banking, it's important to note that it doesn't capture every aspect of the real banking system. Real-world banking is far more complex and involves many more factors.

***The Role of Regulation***

One crucial element I didn't mention earlier is regulation. In the real world, banks don't operate unchecked like Tank did. Government agencies and laws exist to oversee banking practices, aiming to prevent abuses and protect depositors. These regulations play a significant role in shaping how banks operate and manage risk.

Understanding these concepts can help us make more informed decisions about our personal finances and perhaps encourage us to explore alternative financial strategies. However, it's always important to approach any financial decision with careful consideration and, when necessary, seek advice from qualified professionals.

Let me clarify the structure and oversight of the fractional reserve banking system in the United States:

## Oversight of the Fractional Reserve System

The fractional reserve banking system in the U.S. isn't managed by a single entity. Instead, it's overseen by several regulatory bodies:

1. Federal Deposit Insurance Corporation (FDIC)

2. Federal Reserve Board (the Fed)

3. Office of the Comptroller of the Currency

Additionally, credit unions have their own regulators, and many banks are also subject to state-level oversight in the states where they operate.

## The Role of the Federal Reserve

While regulation seems dispersed, the Federal Reserve Board (commonly known as "the Fed") plays a central role in shaping policies that affect everyday banking for most Americans. The Fed has significant influence over:

- Setting reserve requirements for banks
- Determining interest rates
- Implementing monetary policy

In other words, while other agencies handle daily compliance, the Fed controls the playing field. It defines the rules of the game for fractional reserve banking.

It's important to understand this structure as it impacts how banks function, how money flows through the economy, and ultimately, how it affects our personal finances. However, the system is complex, and there's ongoing debate about its effectiveness and potential alternatives.

## The Federal Reserve Board

Here's a quick breakdown of how the Federal Reserve actually works—because understanding it is key to understanding your money.

Structure:

- Comprises board members from 12 districts across the nation
- Includes presidentially appointed members
- Involves private U.S. member banks and advisory councils

Origin:

- Created by Congress in 1913 through the Federal Reserve Act
- Established in response to recurring financial panics

Main Objectives:

1. Maximize employment
2. Stabilize prices
3. Moderate long-term interest rates

Over time, the Fed's responsibilities have expanded to include bank oversight, lending to financial institutions and the government, and more.

***Perspectives on the Fed:***

- Supporters highlight its role in limiting major banking crises since its founding
- Critics argue it has too much power and lacks sufficient accountability to the public

Key Decisions: The Fed controls crucial aspects of the financial system, including:

- Interest rate adjustments
- Bank reserve requirements
- Interbank lending rates

Financial Performance: The Fed is a highly profitable institution. In 2015, it reported profits of $98.7 billion.

Whether you see the Fed as a stabilizer or a manipulator, understanding how it works gives you insight into why the financial system behaves the way it does.The impact of the Fed's decisions on the banking system and individual finances is significant, making it an important topic for anyone interested in personal financial strategies

***Who Profits from the Federal Reserve Banking System?***

The system's biggest strength, and weakness—is the velocity of money. It keeps money moving, which fuels growth but also magnifies risk. When the Fed lowers reserve requirements, it injects liquidity that can prevent collapse—and inflate bubbles.

During recent financial crises, the Federal Reserve took action by adjusting reserve requirements for member banks. This change increased the availability of funds in the system.

Supporters of the Fed and this monetary approach argue that without these interventions, the economic consequences could have been far more severe.

Supporters argue this system benefits everyone by keeping money flowing—but the question remains: who benefits most from that flow? However, it's important to note that the distribution of these benefits and the effectiveness of the system remain subjects of ongoing debate among economists and policymakers.

Understanding this system can help individuals make more informed decisions about their personal finances and how they interact with the broader economy. However, it's always wise to consider multiple perspectives when evaluating complex economic systems.

## Who Benefits from the Federal Reserve Banking System?

While the system is designed to benefit the economy as a whole, certain groups may see more direct advantages:

*Early Access Beneficiaries:* Those who get access to new money first—big banks, corporations, or government contractors—benefit most. They spend before prices rise, while the rest of us face inflation later.

***Money Creation "Out of Thin Air"***

To understand this concept of money creation, let's break it down:

1. Money Creation: When a bank lends out more money than it has on deposit, it's essentially creating new money.

2. Inflation Effect: Typically, when more money enters the system, prices tend to rise (inflation) as more people have money to spend while the supply of goods and services remains steady.

3. Time Lag: However, prices don't increase immediately. There's a delay between the introduction of new money and the resulting price increases.

4. Early Access Advantage: Those who access this new money first can spend it while prices are still low, before they adjust to the increased money supply.

This aspect of the system can lead to uneven distribution of benefits, with those closer to the source of new money potentially gaining more advantages. It's an important consideration when evaluating the overall impact of the Federal Reserve banking system on different segments of the economy and society.

***Who Has First Access to New Money?***

The primary beneficiaries are the banks. They have immediate access to the newly created money through their ability to lend out more than they have on deposit.

***Who is Most at Risk?***

The people hurt most by this system are savers—those who keep their money parked in accounts that barely outpace inflation.

***Why Savers Lose:***

1. Inflation: As new money enters the system, it can lead to inflation over time.

2. Purchasing Power: The money saved today will likely buy less in the future due to rising prices.

3. Low Returns: Interest rates on savings accounts often don't keep pace with inflation.

Put simply: Winners are the banks and early spenders. Losers are long-term savers watching their dollars lose value over time.

## The Velocity of Money Concept:

The system is designed to encourage the movement of money. Those who don't contribute to this velocity (i.e., savers) may be seen as not helping the economy grow.

An Important Note: Some argue that savers don't benefit the economy because they don't circulate their money. However, this view is debatable, as savings can provide capital for investments and financial stability for individuals.

Understanding these dynamics can help individuals make more informed decisions about how they manage their money within this system. It's important to consider both saving and investing strategies that might help protect against the erosive effects of inflation.

***Are there some "upsides" to our banking system?***

As I've studied and experienced our banking system, I've come to recognize some upsides when compared to alternatives like keeping money in a box or under a mattress.

In my view, banks do offer better security against theft and natural disasters. I've also observed how the banking system facilitates important opportunities for many people, such as the ability to purchase homes or vehicles. These are typically a bank's favorite lending activities, from what I've seen.

However, I've noticed it's not as helpful if you're trying to obtain a business loan or purchase an investment property. In my experience, banks usually look for massive amounts of liquidity and collateral to consider making these "higher risk" types of loans.

I often wonder why this is the case. Perhaps, from my perspective, it's because they don't actually need to make these kinds of loans to be profitable. This observation has led me to question the extent to which our current banking system serves all financial needs equally.

These are just my thoughts based on my studies and experiences. I believe it's important for individuals to understand these aspects of our banking system to make more informed financial decisions.

***Reviewing the Risks***

As I've studied the history of banking crises, I've noticed some concerning patterns. Let me share some key observations I've made:

The 2007–2008 crash wasn't a one-off. History repeats itself—thousands of banks have failed across every major financial decade. The pattern suggests fragility, not stability.

- From 2008 to 2012, 465 banks failed
- In the 1980s and 1990s, 1,043 out of 3,234 savings and loan organizations collapsed
- Back in 1930, 744 banks failed in a single year

It makes you wonder: are we really safer now, or just more numb to the danger?

What I find particularly interesting is what happened after the government bailed out the banks following the 2008 crisis. From what I've observed, banks essentially stopped making loans to about 90% of the population for several years.

In my analysis, I've noticed that banks found they could make more money as investors in the bond markets. This shift has led me to question whether banks truly need to be in the business of making loans anymore.

These observations have shaped my understanding of the risks inherent in our banking system. I believe it's crucial for individuals to be aware of this history and these trends when making their financial decisions.

And at the time of this book's most recent update, we saw a similar pattern in 2023, as several large banks became insolvent.

Of course, these are my interpretations based on the data I've studied. I always encourage people to do their own research and form their own conclusions about the stability and reliability of our banking system.

## Future Banking Outlook

The fractional reserve banking system in the United States and globally isn't likely to change anytime soon. It's simply too profitable for banks, and our world economy has become deeply dependent on it.

If this system makes you uneasy, you're not alone. There are smarter ways to save, grow, and borrow; approaches used quietly by the wealthy for decades. While you might still use an independent bank for convenience, I think it's worth considering other options for larger financial needs.

In my research, I've found that many people seek alternatives to traditional banks for saving, growing wealth, and financing due to several common concerns:

1. The complexity of the banking system
2. The time-consuming nature of dealing with banks
3. The impact on personal credit
4. The risks involved if cash flow becomes limited

These concerns have led me to question what qualities an alternative institution should have to be a viable option for holding money. I believe this is a crucial question to consider as we think about our financial futures.

In my upcoming exploration, I plan to delve into some of the financial strategies used by wealthy individuals. I believe these insights can help us think differently about banks and consider alternative approaches to managing our money.

While I don't have all the answers, I'm excited to continue this journey of exploration and to share what I learn. I believe understanding these concepts can empower us all to make more informed financial decisions.

# Chapter 2: Money Secrets of the Wealthy

***"Wealth consists not in having great possessions, but in having few wants."***—*Epictetus*

## Money and Wealth Perceptions

When I first started studying wealth, I quickly learned that most people, including myself at one point, carry unconscious stereotypes about the rich.

When I refer to "the wealthy" in this context, I'm talking about a segment of the population that has developed what I'd call an "abundant" relationship with money. It's not just about having a lot of money, but about how they interact with and think about wealth.

In my studies, I've noticed that books about money and wealth tend to fall into two main categories:

1. Practical Money Books: These are often in the personal finance genre. They focus on developing disciplined financial habits like saving, budgeting, and investing. I find these books valuable for their concrete advice on managing money day-to-day.

2. Spiritual "Money Energy" Books: On the other end of the spectrum, these books delve into our perceptions, hang-ups, and overall relationship with money. They often aim to correct negative attitudes towards wealth and promote a more positive energy around financial matters.

I believe both types of books have their merits. The practical books have helped me understand the mechanics of wealth building, while the spiritual books have made me reconsider my fundamental attitudes towards money.

As I continue to explore this topic, I'm keeping an open mind to insights from both approaches. I think understanding the wealthy isn't just about learning their financial strategies, but also about understanding their mindset and relationship with money. This holistic approach, I believe, can offer valuable lessons for anyone looking to improve their financial situation.

Because people are often largely unaware of their conscious and unconscious preconceptions about money and wealth, I offer this list will serve as a starting point to address some basics:

**Money is:**

1. Neutral and indifferent

2. Of relative value (based upon value to the people involved)
3. A resource or mode of exchange
4. Evidence of value created (unless coerced or manipulated)

**Money is Not:**

1. Good or evil in itself
2. Inherently valuable (without people)
3. Indicative of success (in itself)
4. The ultimate problem solver

The above points are really just a few highlights and many more “is” and “is nots” could be inserted above.

If these seem obvious or uncomfortable, it says something about how you currently relate to money.

The point is that money is a neutral modicum of exchange that has no power to change anyone into a good or bad person. It is best said that having lots of money simply amplifies who and what you already are.

If you are generous, money affords the opportunity to be more generous. If you’re stingy, you’ll have more to grasp and horde, at least while it lasts.

## People are valuable and NOT money.

People—not money—are the true source of value. Money only represents the transfer of that value. It’s proof of creation, not creation itself. Certainly, money is needed to provide all kinds of goods and services, yet people are the creators of value and the problem solvers.

Money is simply a tool, and its impact depends entirely on how people choose to use and produce it.

I want to be clear that this perspective doesn't ignore the reality that some people do abuse money, or that there are wealthy individuals who've acquired their wealth through unethical means. I've seen that just as people can misuse relationships or environmental resources, they can also misuse money.

However, I don't believe these abuses make money itself evil. In my studies and discussions about wealth, I've often encountered references to the biblical phrase about the "love of money" being the "root of all evil." I think it's crucial to distinguish between money itself and the obsessive love of money.

From my point of view, money is neutral - it's neither good nor bad on its own. It's our attitudes towards it and how we choose to use it that give it moral implications. I believe that understanding this distinction is key to developing a healthy relationship with money and wealth.

In my exploration of financial strategies and wealth-building, I always try to keep this perspective in mind. I think it's possible to pursue financial success and security without falling into the trap of loving money for its own sake. It's about using money as a tool to achieve our goals and improve our lives, rather than seeing it as an end in itself.

We are to ***love people and use money*** and it is easy to get this twisted when money is tight and leaves us with a scarcity mindset.

I've come to understand that the presence of money in someone's life is really just an indicator of something else. From my perspective, there are generally three ways people acquire wealth:

1. Through production: They've created something of value for others.

2. Through gifting: Someone has given them money.

3. Through improper means: This could involve manipulation, coercion, or other unethical practices.

I think it's important to recognize these distinctions because they shape how we view wealth and those who have it. In my studies, I've noticed that those who've earned their wealth through productive means often have valuable insights to share.

As we move forward, I'm going to focus on exploring some common principles that these productive wealthy individuals tend to promote and pass down to their children. I find this fascinating because it's not just about accumulating money, but about cultivating a certain mindset and approach to wealth.

I believe these "secrets" can offer valuable lessons for anyone looking to improve their financial situation, regardless of their current wealth status. It's not about mimicking the wealthy, but about understanding the principles that have led to their success.

In sharing these insights, my goal is to provide a different perspective on wealth-building - one that focuses on production, value creation, and smart financial strategies. I think these principles can be applied in various ways, depending on each person's unique situation and goals.

## 5 Money Secrets of the Wealthy

In my study of wealth and financial strategies, I've often pondered this crucial question: What do wealthy and financially abundant individuals do with their money that sets them apart from the majority?

This question, I believe, is more than just idle curiosity. It provides a vital clue to understanding the underlying logic of the self-banking strategy that I'll be exploring in detail in the next chapter.

***The wealth gap isn't about income—it's about strategy:***

| Middle Class Approach | Wealthy Approach |
|---|---|
| Buy Home (liability) | Buy Rental Property (asset) |
| Save in 401k (taxed later) | Grow Wealth Tax-Free (whole life) |
| Wait To Save Cash | Borrow Against Assets |
| Pay Banks Interest | Pay Themselves Interest |
| Lose to Inflation | Profit From Arbitrage |
| One Income Stream | Multiple Cash-Flowing Assets |

The difference? The wealthy use their money twice.

1. **The Wealthy Buy Assets**

Wealth coach, educator and entrepreneur, *Robert Kiyosaki*, says that the wealthy buy assets while the poor and middle class buy liabilities. Kiyosaki's point is that if you look at most people's most valuable financial *investment* (and I use the term loosely) it is the family home.

But since your home doesn't create any cash flow and yet costs you money in terms of expenses, your home is not an asset.

Robert Kiyosaki defines assets as anything that puts money into your pocket, and liabilities as anything that takes money out. By that logic, your home isn't an asset—it costs you monthly and produces no cash flow.

Take the common belief about homeownership, for instance. Many people, myself included at one point, consider their home an asset because it offers tax deductions for mortgage interest and may appreciate in value over time. However, Kiyosaki's definition has made me reconsider this assumption.

When I look at homeownership through this lens, I see several factors that align more with the definition of a liability:

1. It consistently takes money out of your pocket (mortgage payments, property taxes, maintenance, etc.)

2. There's a risk of foreclosure if you can't keep up with mortgage or property tax payments

3. In many states, homestead laws don't fully protect your home from creditors

4. The equity in your home is essentially "dead" money - it's not liquid or easily accessible

This perspective has made me rethink how I view my own home and other investments. It's not to say that homeownership is inherently bad, but rather that we might need to reconsider how we categorize and think about our possessions and investments.

But...*consider* what could be accomplished by converting your home into an investment property, leading to financial benefits such as writing off depreciation and expenses and earning passive income, you may start seeing what an asset looks like.

In contrast, liabilities like the home you live in, vehicles, boats, and other toys only take money out of your pocket.

In my study of Robert Kiyosaki's work, I've found his evolving concept of assets particularly interesting. In his book "Second Chance: For Your Money, Your Life and Our World," Kiyosaki further refines his ideas about assets, which I think adds valuable nuance to his earlier definitions.

Kiyosaki introduces a hierarchy of assets:

1. Primary assets

2. Secondary assets

3. Tertiary assets

He views tertiary assets as inferior to primary and secondary assets. From what I understand, tertiary assets represent paper wealth, and their value is largely speculative, fluctuating based on market conditions. This could include things like stocks or bonds. This reframing alone can change how you see everything you own.

As a real estate investor himself, Kiyosaki emphasizes the benefits of owning real estate assets, which he likely considers primary or secondary assets. He highlights four key advantages:

1. Cash flow: Real estate can generate ongoing income through rent.

2. Income tax advantages: There are often tax benefits associated with real estate ownership.

3. Collateral potential: You can borrow against real estate, using it as collateral.

4. Long-term appreciation: Real estate often increases in value over time.

## Whole Life Insurance vs. Real Estate Assets

As I've delved deeper into financial strategies, I've found some interesting parallels between whole life insurance and real estate assets, particularly in light of Kiyosaki's framework. Here's what I've discovered:

Whole life insurance seems to mirror many of the advantages Kiyosaki attributes to real estate:

1. Cash Flow: The cash value in a whole life policy is liquid, potentially creating a source of cash flow.

2. Income Tax Advantages: Whole life insurance often comes with certain tax benefits.

3. Collateral Potential: You can borrow against the cash value through a life insurance policy loan.

4. Growth: The cash value grows over time, benefiting from compound interest.

While mainstream financial advice often dismisses life insurance as an 'expense,' major institutions think differently. I've learned it's important to look beyond popular opinion and examine the strategies of successful institutions.

What I find particularly compelling is the presence of life insurance assets on the balance sheets of major banks and corporations. Check out a major bank's balance sheet section titled "life insurance assets".

Major banks are financial powerhouses, run by those in the know, with virtually unlimited capital and unlimited access to key financial insight, and the banks have determined that ***owning life insurance as an asset is a good investment - even superior to real estate.***

Of course, the wealthy aren't buying from just any insurance company. Banks select top rated companies, such as established mutual insurance companies that have a track record of success for 150 to over 200 years.

The best life insurance companies typically have ratings like A+ Strong (Standard & Poor's), A+ Superior (A.M. Best) and Aa3 Excellent (Moody's). Numerous factors are taken into account in generating these ratings such as operating performance, capitalization, strength of risk profile, etc.

If you look at the balance sheets of major banks, you'll find over $200 billion stored in life insurance assets, classified as Tier 1 capital. That's not a coincidence.

**2. The Wealthy do NOT Gamble with Money**

Despite Hollywood myths, real wealth isn't built at poker tables or through stock market guesses. The image of the high stakes gambler is about as realistic in the real world as James Bond's escapades. The house eventually always wins in a casino.

The wealthy DO NOT throw money into a stock on a whim and a prayer hoping that it will take off like many inexperienced investors today.

As Tony Robbins points out in Money: Master the Game, small investors can't outthink high-frequency traders. That's why the wealthy lean on non-correlated assets—like whole life insurance—which grow steadily, unaffected by market volatility.

## Whole Life Insurance vs. the Stock Market

The wealthy research deeply before investing. They don't gamble their emergency funds on volatile markets. They build a safe asset base first, then use it to fund higher-risk ventures.

- **Stock Market Approach**: I've observed that when the wealthy invest in stocks, they often do so with extensive research and deep knowledge. They typically avoid mutual funds, preferring more direct control over their investments. A crucial point I've noted is that they don't risk their 'safe bucket' - their emergency funds - in potentially volatile investments.

- **Real Estate Strategy**: In real estate, I've learned that the wealthy focus on buying and holding, rather than quick flips. They emphasize thorough research and patience, often examining numerous properties before making an offer. This careful approach has shown me the importance of due diligence in real estate investing.

- **Funding High-Risk Investments**: One principle that's stood out to me is that the wealthy don't typically spend from their safe investments to fund speculative or high-risk ventures. Instead, I've noticed they might use other assets as collateral to finance opportune investments. This strategy has taught me the value of preserving a stable financial base.

- **Building a Safe Asset Base**: Perhaps the most crucial lesson I've learned is the importance of creating a foundation of safe money. This stable asset base provides the security to capitalize on higher-risk, potentially higher-return investments when opportunities arise.

- **Capitalizing on Economic Crises**: I've noticed that some of the greatest investment opportunities emerge during economic downturns. Having a stable financial base allows one to take advantage of these situations, rather than being vulnerable to them.

These observations have significantly shaped my understanding of wealth-building strategies. It's not just about making bold investments, but about building a solid financial foundation that allows for strategic risk-taking when the time is right. This approach, I believe, is key to long-term financial success and stability

The message here is that you need to **create an asset base of safe money** to provide stability to **capitalize on higher risk, higher return investments when they arise**.

This is particularly important during times of economic crises because the greatest opportunities arise during these times.

I contend that whole life insurance is a perfect place to establish a high rate of return, tax advantages, death benefit and asset protection under many states' laws. This steady foundation is what allows them to profit from chaos instead of panic during it.

### The Wealthy AVOID Paying High Interest Rates and Minimize Taxes

The wealthy DO NOT pay interest on credit card balances at 20% interest rates OR finance other purchases at high rates. They understand that bad debt is a trap designed for the middle class.

*That the wealthy don't have a lot of bad debt probably doesn't surprise you, but would it surprise you to learn that the wealthy often do use financing to get into a lot of **good debt?***

The wealthy don’t buy assets or even liabilities without access to cash or favorable financing. That’s the real secret, they keep liquidity available at all times. This realization underscores why building a strong base of accessible cash at advantageous rates is essential.

One strategy I've found particularly intriguing is the concept of "infinite banking" using whole life insurance. Here's why I think it's a key strategy for wealth building:

1. **Available Cash**: A properly designed whole life insurance policy provides a source of readily available cash.

2. **Favorable Borrowing Rates**: You can borrow against the policy at rates that are often more favorable than traditional loans.

3. **Privacy**: It's a private transaction, not subject to credit checks or public scrutiny.

4. **Continuous Growth**: Even when you borrow against the policy, your cash value continues to earn interest and dividends (in non-direct recognition companies).

5. **Flexibility**: This strategy can be used for purchasing both assets and liabilities.

The beauty of this approach lies in its efficiency; you’re not just storing money, you’re putting it to work in multiple ways at once. Your money is growing within the policy, yet it's also available to seize investment opportunities or cover major expenses.

This strategy aligns with what I've observed about wealthy individuals' approach to money: they seek to make every dollar work as hard as possible, often in multiple ways simultaneously.

**This is why whole life insurance stands apart as a superior asset. You have instant access to cash, the ability to borrow privately at favorable rates, and your money continues compounding through interest and dividends—all at the same time.**

Now let's expand on this thought and introduce the idea that the wealthy DO NOT pay high taxes on regular income.

Rather, the wealthy focus on limiting their regular income and creating tax advantaged **passive income,** which is taxed at a much lower rate than regular income.

Kiyosaki talks about his tax strategies in detail concerning business ownership and real estate.

Contrasting this with investing in whole life insurance and we have another powerful example of strategizing using the tax code via the ability to grow your cash value through tax free dividends in a whole life insurance policy from a mutual insurance company.

*If you're skeptical about tax free dividends, you shouldn't be...top mutual insurance companies have been paying these dividends for 200+ years through all manner of financial crisis. Because the companies are mutual companies, which are owned by the policy holders (in contrast to stock companies), the profits are returned to the policy holders as return of premium in the form of dividends. There is no gimmick or tax loophole here. This is simply sound business practices in action to reward the policy holders for placing confidence in a mutual company.*

Meanwhile, the poor and middle class are funneled into 401(k)s and IRAs—vehicles that lock up money, limit access, and delay true financial freedom. You should ask yourself whether the push to invest in this way is based upon sound business advice, and a concern for your welfare OR the relentless desire of the financial community to **get your money** and offer little in return.

The modern 401(k) system often feels like a trap, one designed to siphon wealth from the poor and middle class under the illusion of security, just like automatic tax deductions did decades ago.

**The Wealthy Use Leverage to Double and Triple Profits**

If a wealthy person can use money that is already making money to make more money...(*you may need to read that again)*...will they do it?

The simple truth is that the wealthy put their **safe bucket assets** to work for them in investments such as high grade bonds and treasury bills.

The wealthy also use whole life insurance policies as safe investments. With the safe bucket covered and generating passive, tax advantaged income, they then have the freedom to entertain opportunities such as real estate, business start ups, private lending and other lucrative opportunities by borrowing money at favorable rates, often from the mutual insurance companies general account using their policy cash value as collateral, or shopping the rate to other financial institutions to see who is most competitive.

I submit that the most favorable, easiest and most flexible way to <u>borrow money is from the cash value</u> on a whole life insurance policy.

As we touched on above, this strategy of borrowing from a properly structured whole life insurance policy allows you to continue to accrue cash value, tax free, regardless of the amount borrowed and at reasonable market rates. The cash value can then be utilized to purchase other investment opportunities as they arise.

In practice, it's entirely possible to achieve positive arbitrage using policy loans, earning more within your policy than you pay in borrowing costs. This means one can borrow money from their policy and still earn a return on investment in the policy, then investing the funds in another investment, so that the total return is **multiplied**.

This is an introduction to the concept of leverage to be discussed in chapter 5. Real estate investors use leverage all the time. The advantage to using whole life insurance this way is that it is guaranteed return and thus, will not suddenly lose 20% of its value, as can occur in the real estate market. Many a real estate investor has imploded by being leveraged too thin...and this really isn't a concern when your loan is backed by life insurance instead.

You see, the loan you take out on your cash value does not have a repayment schedule. In fact, **you don't have to pay your loan back**, EVER. Although we would caution against this strategy if your goal is to build your cash value and death benefit over the long term, it is a nice feature of whole life insurance as a superior asset.

### The Wealthy Protect Their Families and Loved Ones

Wealthy families first seek to protect their legacy through education, and I'm not talking about that expensive Ivy League education...I believe that may be more of a middle-class philosophy. Rather, I'm talking about giving the kids a solid financial education about money via life insurance for children using infinite banking.

Robert Kiyosaki would contend that this kind of financial education, obtained from his *Rich Dad*, made all the difference for him.

Scrolling back to the top of this article, it all goes to the definition of assets and liabilities and the fact that the wealthy teach their kids to focus on buying and creating assets and avoiding overspending on liabilities.

The wealthy prioritize financial education to assure that the kids will be equipped to preserve and protect the family wealth. As we've discussed, even large estates face peril where a family business is concerned and the primary business owner passes away.

Enter the need for life insurance for family business succession planning AND key man insurance to assure that *liquidity* is preserved to cover estate taxes, income taxes and the other costs of settling the estate so that a business may continue to operate uninterrupted.

The death benefit is the icing on the cake, it completes the picture of whole life insurance as a truly holistic financial tool.

A properly designed whole life insurance policy will **allow the death benefit to grow** concurrently with the cash value, so that protection of the family business AND estate is always maintained.

In addition, a long-term care rider or chronic illness rider can help provide needed cash in the event of a chronic illness, requiring long-term care services. The influx of cash can protect other less liquid assets from being untimely liquidated. This protection can keep your legacy from falling apart after you worked a lifetime to build it.

And having your legacy fall apart is not unrealistic. Remember what happened to the Miami Dolphins when the primary owners passed. As much as various products are touted by the pundits, **there is simply no other investment like whole life insurance that provides this kind of protection.**

### ***Summary***

The wealthy focus on buying assets that generate cash flow, not liabilities that drain money.

Robert Kiyosaki defines assets as things that put money in your pocket, liabilities as things that take money out.

A primary home is often considered a liability, not an asset, due to ongoing costs and lack of cash flow.

Kiyosaki categorizes assets into primary, secondary, and tertiary, with real estate and whole life insurance considered superior to paper assets.

Whole life insurance mirrors many benefits of real estate:

- Liquid cash value
- Tax advantages
- Collateral for loans
- Compound growth

The wealthy:

- Invest after thorough research
- Don't risk their "safe money" on speculative investments
- Build a base of safe assets before pursuing higher-risk opportunities
- Use leverage strategically
- Minimize taxes and high-interest debt

- Protect their wealth through estate planning and financial education for their children

Whole life insurance is presented as a superior asset for:

- Building a safe money base
- Providing favorable borrowing terms
- Offering tax advantages
- Protecting wealth and legacy

Notice how the strategies mentioned in this chapter form a cohesive approach to building and preserving wealth. It's not about quick gains or following popular advice, but about creating a strong financial foundation that can weather economic storms and capitalize on opportunities.

Whole life insurance isn’t just another financial product—it’s a complete wealth system. It offers the rare combination of stability, predictable growth, liquidity, and long-term protection that most investments can’t touch.

The most crucial takeaway is the importance of financial education and strategic thinking. By understanding these concepts and applying them thoughtfully to our own situations, we can all work towards greater financial security and prosperity.

As we move forward, let's consider how we might incorporate some of these "secrets of the wealthy" into our own financial planning, always remembering that true wealth is about more than just money—it's about creating a legacy of financial wisdom and security for ourselves and future generations.

# Chapter 3. Whole Life – The Safe Bucket Alternative

***"A bank is a place that will lend you money if you can prove that you don't need it."****— Bob Hope*

That single line says everything about how traditional banking really works—and why the wealthy look elsewhere to store their money safely and productively.

## The Ideal Safe Bucket

As discussed in Chapter 2, the wealthy intentionally build "safe bucket" assets; places to store money that grow tax-advantaged and insulated from market volatility. Better yet, if you were to design a wish list for the ultimate "safe bucket" to hold your money and replace traditional banks, perhaps it would look like this:

1. Cash value is protected by most state asset protection laws
2. Offers a contractual guaranteed rate of return and a non-correlated asset
3. Offers tax advantaged growth
4. Offers liquidity
5. Offers a death benefit to loved ones without hassles like probate
6. Provides the opportunity for positive arbitrage
7. Offers the potential for your money to be at work in two places at once increasing your velocity of money

Remarkably, a properly structured whole life insurance policy checks **every box** on that list—despite what critics may say.

## The Myths and Realities of Whole Life Insurance

Our views on money are constantly shaped, and often distorted, by marketing. We're inundated daily with commercials, tweets, memes, and other forms of media that often present incomplete or inaccurate information. This barrage can lead to mental misconceptions about many aspects of our financial lives, including things we might take for granted.

Nowhere is this truer than in the conversation around whole life insurance, a topic clouded by decades of misinformation. The pros and cons of this financial tool are often clouded by misconceptions that have become deeply ingrained in popular financial thinking.

When we approach the topic of whole life insurance, I believe it's crucial to be willing to challenge our preconceived notions. We may need to re-examine what we've been told about this potentially powerful asset. It's not about blindly accepting new information, but rather about being open to a more nuanced and comprehensive understanding.

*"But I heard whole life insurance is a terrible investment…"*

You're probably thinking of the policies sold by typical insurance agents.

They're designed to maximize the death benefit—which maximizes the insurance company's profit and the agent's commission.

That's NOT what we're talking about.

The banking policies used by wealthy families and Fortune 500 companies are engineered completely differently:

**Typical Whole Life Policy:**

- Designed for maximum death benefit
- Slow cash value growth (8-12 years to access)
- High commissions to agent
- Minimal borrowing capacity

**High Cash Value Banking Policy:**

- Designed for maximum cash value
- Fast liquidity (30-60 days to access)
- Lower commissions (agents don't push these)
- Immediate borrowing capacity

Same product category. Opposite design philosophy.

That's why most people have never heard of this strategy—there's no commission incentive for agents to sell it this way.

Let's begin with some basic whole life 101.

## Defining Whole Life Insurance

**Whole Life Insurance Definition**: Whole Life Insurance, also called ordinary life insurance, is a permanent cash value policy offering a guaranteed death benefit, fixed premiums, and access to growing cash value through loans or withdrawals. Participating policies also pay dividends and enjoy tax advantages under current U.S. law—tax-free death benefits, tax-free loans, and tax-deferred cash value growth.

## Participating vs. Non-Participating Policies

Whole life policies come in two main types—participating and non-participating.

Non-participating policies: These are simpler to understand. They don't receive dividends. The terms are set at the beginning and don't change based on the insurance company's performance.

Participating whole life insurance: This type is more dynamic. Here's what makes it unique:

- It pays dividends to eligible policyholders
- Policyholders "participate" in the company's financial success
- When the company does well, the policyholder can benefit

What's interesting about participating policies is the flexibility they offer with dividends. Policyholders can use these dividends in several ways:

1. Buy more paid-up insurance, increasing both the death benefit and cash value
2. Earn interest by leaving the dividends with the insurer
3. Pay policy premiums, reducing out-of-pocket costs
4. Receive the dividends as a cash payout

I find this flexibility particularly intriguing as it allows policyholders to adapt their strategy based on their changing financial needs or goals.

## Ordinary Level Premium Whole Life vs. Limited Pay Whole Life

Ordinary level premium whole life insurance has level premium payments for the duration of the policy, typically until age 100. Upon reaching the target age (age 100 or 121), the whole life cash value equals the target face amount of the policy. No premiums are required upon reaching the target age.

**Limited pay whole life insurance** has specific target dates in terms of years or to age 65. For example, 10 Pay whole life requires 10 years of premium payments and 20 pay whole life requires premium payments for 20 years. Upon the end of the 10 or 20 year period no premiums are required. However, the death benefit and cash value can continue to grow with participating policies since the dividend can be applied to purchase additional paid-up life insurance coverage.

## The History of Self Banking

In the early 2000s, financial visionary Nelson Nash introduced the Infinite Banking Concept (IBC), a system using dividend-paying whole life insurance to create a private family banking structure.

His book Becoming Your Own Banker remains the blueprint for those who want financial control outside of Wall Street and traditional banks. This book lays out the fundamental principles of IBC in detail, providing a roadmap for implementing this powerful strategy.

While a handful of financial experts have built upon Nash's foundational work, the concept remains a relatively untapped resource in mainstream financial planning. This exclusivity is part of what makes IBC such a potent tool for those who understand its potential.

The core of IBC aligns perfectly with the wealth-building strategies employed by many successful individuals. It offers unparalleled control over your finances, allowing you to bypass traditional banking systems and create a self-sustaining financial ecosystem within your family.

By leveraging the unique properties of dividend-paying whole life insurance, IBC provides a way to grow wealth, protect assets, and create a lasting legacy. It's a strategy that goes beyond simple savings or investments, offering a comprehensive approach to financial management.

Understanding and implementing IBC can be a game-changer for your financial future. While it may require a shift in thinking from conventional financial wisdom, the potential benefits make it a strategy well worth considering for anyone serious about building and preserving wealth.

## Becoming Your Own Banker

Whole life insurance has been around since the 1800s, serving as a cornerstone of American finance. It protected families during the Great Depression, outlasted countless bank failures, and even funded the dreams of visionaries like Walt Disney and Ray Kroc.

Whole life insurance quickly established itself as a financial fortress, protecting countless families from ruin and becoming one of the last truly secure places for wealth, shielded from market volatility, government overreach, and financial collapse.

The power of this financial tool is evident in its role in empowering some of America's greatest entrepreneurs. Ray Kroc and Walt Disney, titans of American business, both leveraged their whole life policies to finance their groundbreaking ventures. This demonstrates the flexibility and strength of whole life insurance as a financial instrument.

During the Great Depression, when the stock market suffered a devastating 32-year setback, losing 90% of its value from its peak in September 1929, whole life insurance stood as a beacon of stability. While banks, businesses, and government sectors were shuttering, mutual life insurance companies remained unscathed. In fact, many whole life policyholders continued to receive dividends throughout this tumultuous period, underscoring the remarkable resilience of this financial tool.

This historical context is crucial for understanding why creating your own "bank" through the Infinite Banking Concept can be so powerful. It's not just about having a personal source of funds; it's about tapping into a financial strategy that has withstood the test of time and proven its worth even in the most challenging economic circumstances.

The beauty of this concept is that it's not limited to those with large estates. Whether you're just starting out or have substantial wealth, the principles of becoming your own banker can be applied to create financial stability and growth. As we delve deeper into this strategy, you'll see how it can be tailored to various financial situations, offering a path to financial empowerment regardless of your starting point.

So based on these benefits, why aren't folks being urged by the financial community to park more of their money into this type of cash value life insurance?

And if utilizing dividend paying whole life insurance coverage from a mutual company is so beneficial, why do so few hear about it?

***First***, there are very few life insurance professionals that understand how to utilize dividend paying whole life insurance to establish an effective self banking strategy. This idea, originated by Nelson Nash, cited above, has evolved over time into a powerful wealth building personal banking strategy.

Strategic self-banking through whole life insurance is a powerful financial concept that goes beyond traditional thinking about life insurance. Let me break it down:

Traditional whole life insurance primarily focuses on maximizing the death benefit, with cash value growth as a secondary benefit. Strategic self-banking, however, flips this approach on its head.

The core of this strategy is to maximize the cash value of your whole life insurance policy. By doing so, you transform your policy into a dynamic savings and personal financing vehicle. This approach allows you to recapture the cost of capital that you'd typically lose to third-party lenders or through opportunity cost when spending your own cash.

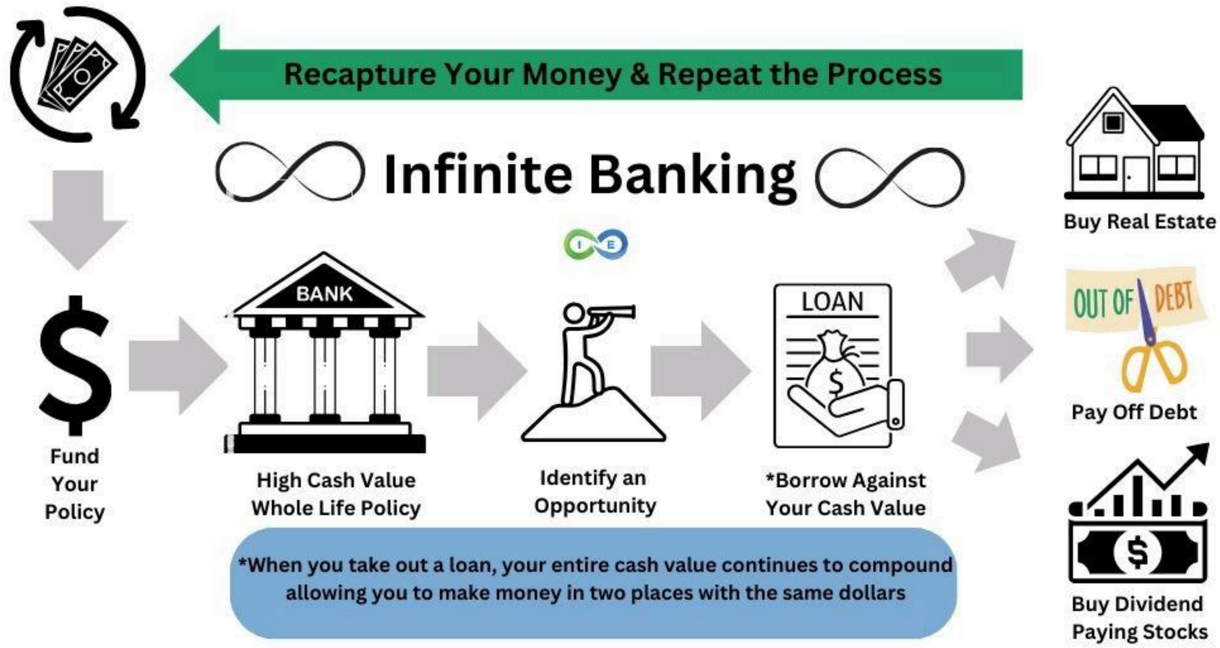
Here's the key insight: When you spend your own money, do you pay yourself interest? For most Americans, the answer is a resounding no. Instead, you're likely either:

1. Paying exorbitant interest rates to credit card companies (often between 10% and 27%)
2. Or, if you're more financially prudent, saving to pay cash for purchases

But here's the catch - even if you're avoiding high-interest debt by paying cash, you're still losing money. How? Through the opportunity cost of that capital. Every dollar you spend is a dollar that's not invested and growing elsewhere.

Strategic self-banking addresses this issue head-on. By utilizing your whole life insurance policy as a personal bank, you can:

1. Borrow against your policy at favorable rates.
2. Pay yourself back with interest, growing your own wealth rather than a bank's.
3. Maintain the growth of your policy's cash value even as you borrow against it.




This approach allows you to finance your own purchases, large and small, while simultaneously growing your wealth. It's a paradigm shift in how we think about personal finance, offering a way to make every dollar work harder for you.

By adopting this strategy, you're not just protecting your family with life insurance - you're creating a powerful financial tool that can enhance your wealth-building efforts throughout your lifetime.

## Volume vs. ROI: A Paradigm Shift in Financial Thinking

While traditional financial advice often focuses on return on investment (ROI), comparing whole life insurance returns to stock market performance, Nelson Nash's Infinite Banking Concept (IBC) introduces a revolutionary perspective:

1. **Volume Over Return**: The IBC strategy emphasizes putting your entire income into a properly structured whole life insurance policy, rather than just a portion of it.

2. **Magnitude of Impact**: By <u>focusing on volume rather than just return</u>, the total financial impact can far exceed what one might achieve through traditional stock market investing.

**3. Tax Efficiency at Scale**: Traditional advice might suggest saving 10% in a tax-deferred account. IBC proposes channeling your entire income through a tax-free system, magnifying the benefits of tax-advantaged growth.

**4. Compounding Effect**: When your entire income flows through this system, the compounding effect on your wealth is exponentially greater.

**5. Holistic Financial Strategy**: This approach transforms your whole life insurance policy from just another investment vehicle into a comprehensive financial system.

**6. Control and Flexibility**: By managing a larger volume of money through your policy, you gain unprecedented control over your financial life.

**7. Astronomical Difference**: The difference in long-term wealth accumulation between saving a fraction of your income and managing all of it through this system can be truly astronomical.

This perspective fundamentally changes the conversation about whole life insurance and financial planning. It's not just about comparing rates of return, but about reimagining how we manage and grow our entire financial lives.

## Case Study: How a Savvy Business Owner Leveraged One Strategy to Build Wealth Beyond Traditional Assets

Meet Ethan, a 30-year-old entrepreneur who structured his finances around a high cash value whole life policy.

Here's the breakdown of Ethan's plan:

- Policy Type: Whole Life Insurance with emphasis on cash value accumulation
- Annual Premium: $25,000
- Starting Age: 30 years old
- Family Status: Married with 2 young children

It's important to note that Ethan's $25,000 annual premium is just an example. The beauty of this strategy lies in its flexibility. You can tailor a similar plan to your own financial situation, goals, and comfort level. Whether you're able to commit more or less than Ethan, the principles remain the same: consistent funding to build a powerful financial asset that serves multiple purposes.

Let's walk through Ethan's financial journey together and see how high cash value life insurance can be a game-changer for you too. Imagine you're in Ethan's shoes - you're 30, married with two young kids, and running your own business. You're doing well, but you want to make sure your family's future is secure and your wealth keeps growing.

**Let's Look at Ethan's Policy Growth:**

| | | Premium Breakdown | | | | Guaranteed | | | Non-Guaranteed | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Year | Age | Base Contract Premium | FPR Contract Premium | EPPUA Premium | Total Premium | Total Cash Value | Increase In Total Cash Value | Total Death Benefit | Dividend | Total Cash Value | Increase In Total Cash Value | Total Death Benefit w/out Div | Total Death Benefit |
| 1 | 31 | 3,506 | 630 | 20,865 | 25,000 | 18,673 | 18,673 | 728,673 | 472 | 19,144 | 19,144 | 728,673 | 729,145 |
| 2 | 32 | 3,506 | 630 | 20,865 | 25,000 | 38,738 | 20,065 | 803,707 | 1,000 | 40,417 | 21,273 | 805,545 | 806,545 |
| 3 | 33 | 3,506 | 630 | 20,865 | 25,000 | 60,676 | 21,939 | 876,779 | 1,560 | 64,171 | 23,754 | 882,413 | 883,973 |
| 4 | 34 | 3,506 | 630 | 20,865 | 25,000 | 84,969 | 24,293 | 947,947 | 2,158 | 90,937 | 26,766 | 959,350 | 961,508 |
| 5 | 35 | 3,506 | 630 | 20,865 | 25,000 | 110,565 | 25,596 | 1,017,268 | 3,252 | 120,184 | 29,248 | 1,036,445 | 1,039,697 |
| 6 | 36 | 3,506 | 630 | 20,865 | 25,000 | 136,100 | 25,535 | 1,084,798 | 4,054 | 150,285 | 30,101 | 1,113,815 | 1,117,869 |
| 7 | 37 | 3,506 | 630 | 20,865 | 25,000 | 162,282 | 26,182 | 1,150,591 | 4,946 | 182,070 | 31,785 | 1,191,528 | 1,196,474 |
| 8 | 38 | 3,506 | 630 | 20,865 | 25,000 | 189,131 | 26,848 | 1,214,703 | 5,876 | 215,618 | 33,548 | 1,269,722 | 1,275,598 |
| 9 | 39 | 3,506 | 630 | 20,865 | 25,000 | 216,633 | 27,502 | 1,277,188 | 6,856 | 251,002 | 35,383 | 1,348,507 | 1,355,363 |
| 10 | 40 | 3,506 | 630 | 20,865 | 25,000 | 244,807 | 28,175 | 1,338,098 | 7,861 | 288,289 | 37,288 | 1,427,951 | 1,435,812 |
| 11 | 41 | 3,506 | 630 | 20,865 | 25,000 | 273,481 | 28,673 | 1,382,492 | 9,017 | 327,459 | 39,169 | 1,508,088 | 1,517,105 |
| 12 | 42 | 3,506 | 630 | 20,865 | 25,000 | 302,869 | 29,388 | 1,419,653 | 10,188 | 368,756 | 41,297 | 1,589,121 | 1,599,309 |
| 13 | 43 | 3,506 | 630 | 20,865 | 25,000 | 332,996 | 30,127 | 1,460,300 | 11,397 | 412,280 | 43,524 | 1,671,109 | 1,682,506 |
| 14 | 44 | 3,506 | 630 | 20,865 | 25,000 | 363,946 | 30,950 | 1,508,657 | 12,583 | 458,149 | 45,869 | 1,754,068 | 1,766,651 |
| 15 | 45 | 3,506 | 630 | 20,865 | 25,000 | 395,732 | 31,786 | 1,554,946 | 13,854 | 506,501 | 48,352 | 1,837,892 | 1,851,746 |
| 16 | 46 | 3,506 | 630 | 20,865 | 25,000 | 427,825 | 32,093 | 1,600,316 | 15,165 | 556,893 | 50,391 | 1,922,674 | 1,937,840 |
| 17 | 47 | 3,506 | 630 | 20,865 | 25,000 | 460,762 | 32,938 | 1,644,764 | 16,532 | 609,961 | 53,069 | 2,008,414 | 2,024,946 |
| 18 | 48 | 3,506 | 630 | 20,865 | 25,000 | 494,586 | 33,824 | 1,689,171 | 17,974 | 665,880 | 55,918 | 2,095,136 | 2,113,110 |
| 19 | 49 | 3,506 | 630 | 20,865 | 25,000 | 529,319 | 34,732 | 1,731,733 | 19,514 | 724,820 | 58,940 | 2,182,899 | 2,202,413 |
| 20 | 50 | 3,506 | 630 | 20,865 | 25,000 | 564,986 | 35,667 | 1,773,382 | 21,101 | 786,913 | 62,093 | 2,271,800 | 2,292,901 |
| 21 | 51 | 3,506 | 630 | 20,865 | 25,000 | 601,572 | 36,586 | 1,810,391 | 22,777 | 852,275 | 65,362 | 2,361,826 | 2,384,603 |
| 22 | 52 | 3,506 | 630 | 20,865 | 25,000 | 639,069 | 37,497 | 1,844,294 | 24,570 | 921,060 | 68,786 | 2,453,041 | 2,477,611 |
| 23 | 53 | 3,506 | 630 | 20,865 | 25,000 | 677,473 | 38,404 | 1,876,394 | 26,486 | 993,441 | 72,381 | 2,545,560 | 2,572,046 |

Impressive, right? Let's break down what this means for you:

1. **Family First**: From day one, your family has over $729,000 in protection. By year 16, that's nearly $2 million! Talk about peace of mind.

2. **Your Money, Growing**: See how your cash value takes off? By year 10, you put in $25,000 and your cash value grows at $37,288, which is $12,288 more than what you're putting in. That's your money working for you! And look what happens in year 16. You pay your premium of $25,000 and your cash value grows at $50,391, which is more than double what you paid into your policy. So you cash on cash return in year 16 is over 100%!

3. **Borrow Smart, Grow Faster**: Here's a cool trick - you can borrow against your cash value without paying taxes on the gains. It is your **Financial Swiss Army Knife.** This policy

isn't just about protection. It's a tool you can use to grab opportunities when they come up. Stock market or Bitcoin dip? Real estate deal? You've got funds ready to go.

4. **Snowball Effect**: Notice how both your cash value and death benefit keep growing? That's the magic of compound growth, my friend.

5. **Instant Net Worth Boost**: That death benefit? It's like giving your net worth an immediate upgrade, closer to what you're really worth (because let's face it, you're priceless to your family).

6. **Inflation? No Sweat**: As your death benefit grows, it helps keep pace with rising costs over time.

## What Does This Mean for You?

1. **You're Covered**: Your family's financial future gets more secure every year.

2. **Your Money Multitasks**: While it's growing, it's also there for you to use. Need to invest in your business or grab a hot investment? Your policy's got your back.

3. **You're in Control**: Unlike other investments, you decide when and how to use your money. No need to sell at a bad time just because you need cash.

4. **Tax Perks Galore**: Borrow against your policy? No taxes. Death benefit to your family? Tax-free. Keep Uncle Sam out of your (and your families) pocket.

5. **Legacy Locked In**: You're not just growing wealth; you're creating a legacy that can last generations.

*Let's Sum It Up*

Look, we know everyone's financial journey is unique. But whether you're all about growing your business, securing your family's future, or building long-term wealth (or hey, why not all three?), a strategy like Ethan's could be your secret strategy.

Consider how this strategy creates balance. You want protection for your loved ones, and you also want your money to grow. You need flexibility for opportunities, and you also want stability. That's exactly what we're seeing in Ethan's case.

Remember, this isn't just about numbers on a page. It's about creating options for yourself, security for your family, and opportunities for your future. It's about sleeping better at night knowing you've got a financial tool that's working hard for you, even when you're not.

## Economic Value Added (EVA)

The concept of Economic Value Added (EVA)—popularized by major corporations—illustrates the same principle behind self-banking: using capital efficiently to create compounding growth. In a climate with notoriously low interest rates, where can a person put his/her money that will be safe and will allow a ***contractually guaranteed rate of return***? If you're guessing a properly designed dividend paying mutual whole life insurance policy, you would be correct.

You see, when a participating whole life insurance plan is ***properly structured*** to maximize the cash value, the cash value can become available relatively quickly depending upon the amounts deposited and the other details of the policy.

Loans from life insurance can be taken using the cash value as collateral (without penalty) to pay for items that are already monthly expenditures such as vehicles or real estate loans.

Part of the strategy is to work with mutual life insurance companies that allow flexibility in borrowing from the policy and allow the cash value to accrue regardless of outstanding policy loans.

Under current tax laws, dividends paid from these policies are tax free because they are viewed as a return of premiums paid. See 26 US Code section 803. And Cash accrual in the policy is also tax free under IRC 7702, provided the policy is never surrendered and the death benefit is also not subject to income taxation.

You can think of this strategy as a "Roth IRA without the IRS restrictions," offering tax advantages and long-term growth without contribution limits or withdrawal penalties.

To make this strategy work effectively, keep the following foundational guidelines in mind:

- As in starting any other business, the cash value may not equal initial deposits for some time, however this will catch up as the policy is funded, with the help of paid-up additions.

- This insurance policy needs to be treated like any other loan, or business asset, and thus it is critical to pay back the policy loans or at least the interest.

● It is highly beneficial to continue paying life insurance premiums even if the insurance policy no longer requires it or it may be paid from the cash value.

Now, let’s address a few common objections to whole life insurance that often discourage people unnecessarily; and clear up the misconceptions behind them.

1. The rate of return (ROI) on a life insurance financial plan isn't very good.
2. Whole life insurance is only beneficial for the wealthy.
3. Upon the insured's death, the life insurance company "takes your cash value."

Let’s address these common objections to whole life insurance and the Infinite Banking Concept:

***1. "The rate of return (ROI) on a life insurance financial plan isn't very good."***

This objection often stems from a misunderstanding of how whole life insurance works. In a properly structured high cash value whole life policy, we typically see returns around 5% or higher. This is a tax-free, net return. When you compare this to other investments after accounting for taxes, fees, and market volatility, whole life often outperforms.

It's important to note that whole life insurance isn't just about ROI. It offers multiple benefits like tax-advantaged growth, creditor protection, and a guaranteed death benefit. These features make it a unique and valuable financial tool that goes beyond simple rate of return comparisons.

***2. "Whole life insurance is only beneficial for the wealthy."***

Another widespread misconception is that whole life insurance only serves the wealthy.

This is a common misconception. While it's true that wealthy individuals and large corporations use whole life insurance strategically, it can be beneficial for a wide range of people. You can start building a whole life insurance policy with contributions as low as $250 per month.

The key is in how the policy is structured. With proper design focusing on cash value growth, whole life insurance can be a powerful tool for building wealth, creating a personal banking system, and providing financial security for individuals at various income levels.

***3. "Upon the insured's death, the life insurance company 'takes your cash value.'"***

This is a misunderstanding of how whole life insurance works. In a properly structured high cash value whole life policy, the death benefit actually grows over time along with the cash value. When the insured passes away, the beneficiary often receives more than just the initial death benefit.

For example, if you start with a $1,000,000 death benefit and over time your cash value grows to $300,000, your beneficiary might receive $1.4M or even up to $1.7M. The insurance company doesn't "keep" your cash value - instead, it's used to increase the overall death benefit paid out to your beneficiaries.

These objections often come from a lack of understanding about how modern, properly structured whole life insurance policies work. When designed correctly, whole life insurance can be a powerful and flexible financial tool for people at various wealth levels, offering both living benefits through cash value growth and a substantial death benefit for beneficiaries

### ***Summary***

In summary, Chapter 3's goal is to position whole life insurance as a powerful alternative to traditional “safe bucket” assets, combining security with liquidity and long-term growth.

1. Guaranteed death benefit and cash value growth
2. Tax advantages
3. Liquidity through policy loans
4. Asset protection in many states
5. Potential for positive arbitrage

The chapter debunks common myths about whole life insurance and explains the difference between participating and non-participating policies. It also introduces the concept of "Infinite Banking" or "Becoming Your Own Banker" using whole life insurance, as popularized by Nelson Nash.

The historical resilience of whole life insurance during economic downturns, such as the Great Depression, is highlighted. The chapter also addresses common objections to whole life insurance, including misconceptions about returns, accessibility, and the fate of cash value upon death.

### ***Conclusion***

Whole life insurance, when properly structured, emerges as a powerful and flexible financial tool that goes beyond mere death benefit protection. It offers a unique combination of guaranteed growth, tax advantages, and liquidity that can serve as a cornerstone of a comprehensive financial strategy.

The concept of using whole life insurance as a personal banking system challenges conventional financial wisdom but aligns with strategies employed by many wealthy individuals and corporations. While it requires a shift in thinking about personal finance, the potential benefits of this approach make it worth considering for individuals at various wealth levels.

By understanding and potentially implementing these strategies, individuals can take greater control of their financial future, create a stable foundation for wealth building, and potentially enhance their overall financial well-being. As with any financial strategy, it's important to thoroughly understand the concepts and consult with knowledgeable professionals to tailor the approach to individual circumstances and goals.

# Chapter 4. Banking Policy Design and Paid Up Additions

***"A penny saved is a penny earned."****—Benjamin Franklin*

## Policy Growth by Design

The foundation of any effective Infinite Banking strategy lies in how your policy is built. A well-designed whole life insurance policy isn't just coverage, it's a financial system engineered to maximize liquidity, control, and long-term growth.

The key to this strategy is maximizing the policy's cash value from the outset and throughout its lifespan. Unlike conventional whole life policies that focus primarily on the death benefit, these specially designed high cash value whole life insurance policies are structured to accumulate cash value swiftly and efficiently.

The goal here is not simply to protect your life, but to design an asset that grows faster, compounds uninterrupted, and becomes a reliable source of financing.

To achieve rapid cash value growth, certain policy design choices are essential:

1. Paid-Up Additions riders to accelerate cash value growth
2. Minimizing the base premium and maximizing contributions to cash value
3. Selecting dividend options that reinvest into the policy, further boosting cash value

As the policy matures, this emphasis on cash value creates a robust, accessible pool of funds that you can leverage for personal financing needs. This growing cash value becomes your "bank," providing you with liquidity, flexibility, and financial control.

By prioritizing cash value growth, you're not just buying insurance – you're building a powerful financial asset that can serve as the foundation for your personal banking system. This approach transforms whole life insurance from a simple protection product into a dynamic tool for wealth accumulation and financial empowerment.

**Paid-Up Additions Rider (PUAR):** A supplemental feature that allows policyholders to contribute extra funds into their life insurance policy, purchasing additional fully paid-up coverage that immediately increases both cash value and death benefit.

The paid-up additions rider in your policy allows you to make purchases of paid-up additional insurance with no proof of insurability while increasing the cash value and death benefit proportionately. The additional paid up life insurance can earn dividends, which compounds the cash value growth inside the policy.

## Avoid the MEC

However, there's a limit to how much premium you can safely contribute without changing your policy's tax status. An over-funded policy transforms the policy into a modified endowment contract MEC. If your policy "MECs" you will lose some of the tax advantages of permanent life insurance.

The good news is you can avoid MEC'ing your policy by working with a professional who knows how to properly design such policies and by paying attention to correspondence from your insurance provider, as your insurer will provide you with notice and ample time to remedy the situation and prevent your policy from changing into a MEC.

## Paid-Up Additions Dividend Option

Dividends from a mutual life insurance company can be received in cash, used to offset future premiums, or reinvested to buy additional paid-up insurance. Additional paid in full whole life insurance using policy dividends is separate from the paid-up additions rider. We strongly recommend choosing this dividend option if your goal is to maximize cash value growth in your policy.

## Benefits of Paid-Up Additions

We've discussed cash value life insurance and the tremendous benefits to policyholders. For the typical whole life policyholder the premium is fixed and the amount of cash value that accrues each year is rather slow and consistent.

You may have heard the phrase, *slow and steady wins the race* referring to the typical whole life strategy for retirement. But what if you want to rapidly accelerate the growth of your cash value? This is where the paid up additions rider comes into play.

You can purchase paid up additions by making an extra premium payment on a set schedule, typically on an annual basis. A policyholder can continue to add coverage AND cash value by utilizing this rider. And they can do so without going through medical underwriting (which is of tremendous benefit considering most people's health deteriorates as they get older).

## Mutual Insurance Companies

Many people are insured by dividend paying mutual insurance companies (these are life insurance companies where the policyholders are partial owners of the company - or perhaps I should say "mutual" owners). A mutual life insurance company will offer annual dividends as a share of the company's net profit (after claims, expenses, and investment gains are figured out).

These dividends can be taken as cash, used to pay future premiums, or to purchase additional coverage using the paid up additions rider.

This last option, **using dividends to purchase paid up additions**, is typically the default, and most popular, option for policyholders. The reason being that the additional coverage also pays dividends, which in turn purchase more insurance, which then purchases more coverage, which again pay dividends - rinse - repeat. All the while the policy cash value **grows and grows** via compound interest.

That's why I like to say that paid up additions are the *fast track* for those that have the *slow and steady* strategy. You still have the safety and consistency that comes from a cash value life policy, but you can give it a shot of adrenaline by using the paid up additions rider.

The paid up additions rider allows you to put more money into your policy then you borrowed out. By doing this, you are maximizing your policy growth and increasing your capacity to use your policy for your own personal financing.

## Purchase Paid Up Additions Rider (PUAR) at Policy Origin

You want to add the rider at the same time you purchase the original life insurance policy. Some companies may allow you to add the rider at a later time, but not all will. And even if they will, there will likely be the hurdle of medical underwriting to go through.

In addition, keep in mind that not all riders are as flexible as others. Some paid up addition riders will allow you to add quite a lot, or very little, each year. While others will require that you maintain a certain level of contribution each year in order to keep from losing the rider altogether. Just make sure you are aware of the various rider options for adding coverage down the road.

### *Summary*

This chapter focused on the strategic design of whole life insurance policies for effective self-banking. Key points include:

1. The importance of maximizing cash value growth from the policy's inception.
2. Using Paid-Up Additions (PUA) riders to accelerate cash value accumulation.
3. Balancing policy design to avoid Modified Endowment Contract (MEC) status.
4. The benefits of dividend-paying mutual insurance companies.
5. The compound growth effect of reinvesting dividends into paid-up additions.
6. The flexibility and advantages of the PUA rider in policy customization.
7. The importance of adding the PUA rider at the policy's origin.

### *Conclusion*

The strategic design of a whole life insurance policy is crucial for creating an effective personal banking system. By focusing on rapid cash value growth through tools like Paid-Up Additions riders and dividend reinvestment into the policy’s cash value, policyholders can transform a traditional insurance product into a powerful financial instrument. This approach offers the dual benefits of life insurance protection and a flexible, accessible pool of funds for personal financing needs.

However, careful consideration must be given to policy design to maximize benefits while avoiding potential pitfalls like MEC status. Working with knowledgeable professionals who understand these nuances is essential. When properly structured, such policies can provide a unique combination of safety, growth, and financial control, aligning with the goals of those seeking to "become their own banker."

Ultimately, this strategy represents a shift from viewing life insurance as merely a protection product to seeing it as a cornerstone of a comprehensive wealth-building and financial management strategy. It offers a path to greater financial autonomy and the potential for accelerated wealth accumulation, making it a compelling option for those looking to take a more active role in their financial future

# Chapter 5. Self Banking Blueprint: Compound Interest, Leverage and Liquidity

***"The best investment you can make is in yourself." -*** *Warren Buffett*

In this chapter, we turn theory into practice. You'll learn how to create your own banking system using whole life insurance, one that compounds, multiplies, and protects your wealth while keeping you in full control.

## Maximum Safety with Leverage

Those who truly understand cash value life insurance know it's not just a place to store money; it's a system for creating leverage, liquidity, and predictable growth. When used strategically, it becomes a conduit for your cash flow, compounding wealth safely and efficiently.

The **philosophy of money** that underlies an infinite banking using whole life insurance strategy, is that **money needs to move and not stay stagnant**. This is referred to as the velocity of money.

Unlike traditional advice that encourages parking your money in banks, Infinite Banking emphasizes using your capital strategically—deploying it where it creates the most value for you and your family.

## Step 1: Fund a Whole Life Insurance Policy

The first step is to establish a proper "safe bucket" for saving funds, ensuring protection, and gaining the potential for tax-advantaged growth and a future death benefit.

If you haven't taken this step, you're putting your entire nest egg at the mercy of the financial markets, much to the delight of stock brokers and bankers. As we've discussed regarding the money secrets of the wealthy, those in the know generally don't risk their safe assets on speculative investments.

Whole life insurance is a non-correlated asset that is not subject to the fluctuations of the stock market. A guaranteed-return vehicle as your safe bucket eliminates the stress and uncertainty tied to market volatility.

So, step one of the **self banking blueprint strategy** is to begin investing your wealth in a properly funded whole life insurance policy with an advantageous mutual company. Step one takes care of your safe bucket…offering a guaranteed rate of return, historically backed tax free life insurance dividends and asset protection under many state laws.

## Step 2: Locate Cash Flow Assets in Area of Expertise

Step two is to identify a cash-flowing asset within your area of expertise and use your policy's cash value to acquire it.

In today's information age, the possibilities for such cash flow assets are vast and expanding. For example, you can invest in fractional interests in oil wells, coffee farms, hard money lending, real estate, and even robo-advisors through various web-based platforms. These investment avenues for cash flow assets are direct, often cooperative with other investors, and operate outside the traditional financial markets. This approach often offers the full tax advantages associated with such investments, similar to owning the asset directly.

New investment opportunities are emerging daily, making the possibilities endless for diversifying and growing your wealth.

Your participating cash value whole life insurance policy through a mutual company, properly funded, should be <u>utilized as a conduit for purchasing other cash flow assets</u> that offer a higher rate of return and the proceeds from those investments can be directed back into your cash value policy.

Always borrow against your cash value using a policy loan, never withdraw from it. Borrowing keeps your money compounding inside the policy.

The easy, quick, and flexible access to cash through inexpensive loans secured by the policy is a key feature of any infinite banking policy. For those who think a policy loan sounds unappealing, it's similar to taking out equity from a piece of real property to fund a second investment, but without the inherent difficulties like stringent bank approval processes and strict repayment terms.

**Why Borrow?**

You may now be asking why it's advantageous to take a life insurance loan versus simply saving up the cash or withdrawing from the cash value.

Borrowing from your policy isn't just convenient—it's strategic. It allows your money to keep working for you while you leverage it elsewhere. This philosophy, as discussed in Chapter 3, revolves around the concept of Economic Value Added (EVA), which means that your money has intrinsic value. Paying with your own cash eliminates its earning potential—you lose the opportunity cost of what it could have grown into.

Our country's largest corporations have understood this for years, transforming their balance sheets and boosting their stock prices as a result. Similarly, there are sound financial reasons to value your own money and not leave it idle in a conventional bank, earning less than 1% in today's financial climate. Keeping money in a traditional bank gives the institution the benefit of your capital while your own wealth remains stagnant. Instead, borrowing against your cash value keeps your money working for you, maximizing its potential.

***"Aren't I giving up the use of my cash when fueling my cash value life insurance and not investing in step two immediately?"***

My answer is both yes and no. When you invest in cash value life insurance, you are indeed choosing to put your money into whole life insurance, potentially foregoing other immediate investment opportunities that may offer a higher immediate rate of return. However, you are also choosing to invest in your safe bucket, and this is critical for a couple of reasons:

- First, unless you already have a safe bucket, investing in riskier assets with your nest egg is like trying to build a house without laying a foundation—the house may stand up for a while, but there is a risk of it eventually collapsing.
- Second, the specific type of safe bucket provided by a properly funded whole life policy offers ongoing exponential growth. This growth can be described as multiple levels of financial leverage, or compounding upon compounding, which is the essence of exponential wealth building.
- Third, you typically can borrow from your policy in 30-60 days, depending on the carrier. Therefore, you can start utilizing your policy's cash value and take advantage of other opportunities almost immediately.

**True Compound Interest**

True compound interest growth is not possible with the ebbs and flows of the stock market. True compounding occurs in an environment free from market declines and taxes, both of which can erode your principal and destroy the compounding power of your money.

When you borrow from your policy, your cash value keeps growing uninterrupted—earning guaranteed interest and dividends on the full amount. You'll receive an ongoing guaranteed rate of return that never changes, regardless of policy loan amounts. Additionally, you are highly likely to receive ongoing dividends at full dividend rates, based on over a hundred years of payment history.

That's right—while your loaned cash value is working to earn you money in other areas, you'll continue to receive tax-advantaged dividends at the same rates based on the entire cash value of your policy. Because dividends are classified as a return of premium, they're generally not taxable—allowing your cash value to compound tax-free.

It gets even better because you can achieve positive arbitrage on your borrowed funds. Although you're paying a reasonable rate of interest on the borrowed funds (5% in today's market), your dividend rates will typically exceed the interest (5-7% in today's market), resulting in a positive rate of return on the borrowed funds themselves. Add in the potential returns from the investments you use your policy funds to purchase, and your true rate of return can be much higher.

**Doubling a Penny Everyday**

A great way to demonstrate the power of compound interest is to ask the question, "what would you rather have, $1,000,000 or a penny doubled every day for 30 days?"

Most people initially choose one million dollars. However, as you can see from the chart below, taking a penny doubled every day for 30 days is far and away the winner.

| Day | Penny Doubles Each Day | Day | $0.01 Doubles Each Day | Day | $0.01 Doubles Each Day |
|---|---|---|---|---|---|
| 1 | $0.01 | 11 | $10.24 | 21 | $10,485.76 |
| 2 | $0.02 | 12 | $20.48 | 22 | $20,971.52 |
| 3 | $0.04 | 13 | $40.96 | 23 | $41,943.04 |
| 4 | $0.08 | 14 | $81.92 | 24 | $83,886.08 |
| 5 | $0.16 | 15 | $163.84 | 25 | $167,772.16 |
| 6 | $0.32 | 16 | $327.68 | 26 | $335,544.32 |
| 7 | $0.64 | 17 | $655.36 | 27 | $671,088.64 |
| 8 | $1.28 | 18 | $1,310.72 | 28 | $1,342,177.28 |
| 9 | $2.56 | 19 | $2,621.44 | 29 | $2,684,354.56 |
| 10 | $5.12 | 20 | $5,242.88 | 30 | $5,368,709.12 |

The point here is that even a little bit of money can turn into a mountain of wealth given enough time. And there is no better foundational asset for putting true compound interest to work than high cash value whole life insurance.

### Step 3. Repay Your Policy Loan

Step three of the Self Banking Blueprint strategy is to return profits from your higher-risk, higher-return investments to repay your cash value life insurance policy. Think of this as “completing the circle” or your own personal whole life banking cycle. This idea is fundamental to infinite banking, and we emphasize its importance to your overall wealth-building strategy.

Bringing the profit from your higher-risk investments to repay your safe bucket of cash value life insurance is like putting gasoline in an ever-working engine for several reasons.

Repaying your policy loan accelerates growth—expanding your cash value, boosting dividends, and increasing your death benefit. This creates a compounding and ever-expanding safe bucket that provides greater means to pursue higher-risk, higher-return investments. This strategy allows your wealth to compound and grow continuously.

There are some aspects of the mechanics of this strategy that can be tricky to explain and quantify when you analyze how repaying these types of life insurance policies actually works. Infinite banking, like many aspects of business, is best understood through the numbers.

When you look at a policy illustration and see what happens when you take out policy loans and later repay them with interest, the numbers tend to show that the growth of the policy accelerates dramatically for several reasons:

First, and most obviously, when you repay a policy loan, you’re no longer paying interest on that loan. The interest payments, which had been reducing the policy's overall growth, are eliminated. This allows the cash value to grow more rapidly.

Second, when you repay the interest on the loan, it functions similarly to purchasing additional paid-up additions (PUAs). This leads to a quicker increase in cash value and higher dividends. The paid-up additions add more value to the policy, boosting both the cash value and the death benefit.

Third, over time, whole life insurance policies often exhibit a tendency to perform better than initially projected in the non-guaranteed portion of the policy. This is because conservative whole life insurance companies prefer to under-promise and over-deliver. These "bonus points" become more apparent as the policy matures and benefits from the conservative financial management of the insurance company.

Therefore, the power of this repayment approach, inherent in infinite banking, is best revealed through policy illustrations. These illustrations demonstrate how the policy will exponentially grow upon the repayment of loans over time, showcasing the benefits of continuously reinvesting in your cash value life insurance.

## Step 4. Increase Your Life Insurance Assets

Step 4 of the Self Banking Strategy using whole life insurance is to maximize your safe bucket assets. In other words, use your profits from higher-risk, higher-return investments to purchase more cash value life insurance.

Depending on your financial goals, you can either expand your existing policy or start a new one once your initial loans are repaid. This decision requires a close examination of your assets and liabilities and the performance of the various assets in your different buckets.

The goal is to use profits from higher-yield investments to strengthen your safe bucket—and then use that growing safe bucket to fund new opportunities.

This approach allows true compounding policy growth of your cash account and an ever-increasing death benefit in addition to the rate of return generated by your higher risk-return investments.

For example, if you're getting a 2% arbitrage on borrowed funds in your cash value safe bucket and you're getting an 8% cash-on-cash return on a real estate investment (not even accounting for tax advantages), what is your rate of return? Some may say 10%, and while this is impressive, it could be short-sighted.

The compounded effect of reinvesting profits into your cash value life insurance policy and using that growing safe bucket to fund further high-return investments can significantly enhance your overall financial growth. This cycle of leveraging your safe bucket for continuous investment opportunities leads to exponential wealth building and increased financial security over time.

## Step 5. Maximize Your Death Benefit

By employing the Self Banking Blueprint strategy, you will have secured as much life insurance on yourself as possible. For anyone interested in creating a legacy through life insurance, there is no better way than to continually grow your death benefit as you age.

### Leaving a Legacy

Upon your death, your family will not only benefit from the countless cash flow assets you have created during your life, but they will also receive a death benefit that truly represents your human life value. This substantial death benefit provides financial security and peace of mind for your loved ones.

### Teaching the Next Generation

An essential aspect of this strategy is educating your children about money and the principles of the Self Banking Blueprint. By teaching them how to utilize this concept, you empower them with the knowledge to build and preserve wealth. When they, in turn, pass this knowledge to their children, the possibilities become infinite.

This multi-generational approach ensures that the financial strategies and principles you have implemented will continue to benefit your family for generations to come. It creates a lasting legacy of financial wisdom and security, ensuring that each generation builds upon the foundation you have established.

## Step 6. Preserve Your Wealth

Finally, any solid wealth-building strategy needs to account for **wealth preservation**. As crucial as the previous steps, wealth preservation becomes increasingly important as you age and face the associated costs of living a long, fulfilling life. As you grow older, the likelihood of needing some form of long-term care service increases significantly. It is highly probable that you or your spouse will require long-term care services one day. So, how does a proper wealth-building strategy address long-term care?

The good news is that, apart from standalone long-term care insurance companies, newer hybrid long-term care life insurance policies are available. These policies provide both lump sum death benefit protection and long-term care protection. If you are diagnosed with a chronic illness or severe cognitive impairment (such as Alzheimer's or dementia), the rider allows you to accelerate a portion of your death benefit to be used either as reimbursement or cash indemnity. This ensures that your hard work in building your wealth and legacy will not be undermined by the potential need for long-term care later in life.

***Conclusion***

By following the Self Banking Strategy using whole life insurance, you can effectively:

1. **Create a Safe Bucket**: Establish a foundation for saving funds, protecting them, and gaining tax-advantaged growth and future death benefits.

2. **Locate Cash Flow Assets**: Invest in areas of your expertise using policy loans rather than withdrawing cash value, ensuring continuous growth and leveraging Economic Value Added (EVA) principles.

3. **Complete the Circle**: Return profits from high-risk, high-return investments to repay your cash value life insurance policy, exponentially growing your policy's value and enhancing its benefits.

4. **Maximize Your Safe Bucket**: Reinvest profits from high-return investments to purchase more cash value life insurance, further compounding growth and increasing your death benefit.

5. **Build a Legacy**: Secure substantial life insurance coverage, providing financial security for your family and teaching financial principles to future generations.

6. **Preserve Wealth**: Incorporate wealth preservation strategies, including hybrid long-term care life insurance policies, to protect against the costs of long-term care and ensure your legacy remains intact.

By applying these steps, you'll not only grow your wealth but also create a financial legacy that endures for generations. This comprehensive approach combines growth, security, and education, making it a powerful strategy for financial success and legacy building.

## *Next Steps*

As we reach the end of our journey together, I hope you're feeling inspired and empowered to take control of your financial future. We've explored the ins and outs of whole life insurance, discovered the secrets of the wealthy, and learned how to leverage strategic self-banking to build and preserve wealth. Now, it's time to put this knowledge into action.

I invite you to take the first step towards financial empowerment by scheduling a free strategy session with one of our Pro Client Guides. In this personalized session, we'll dive into your unique financial situation, using your own numbers to craft a tailored plan that aligns with your goals and aspirations.

Imagine having a personalized strategy that secures your future and equips you to leave a meaningful financial legacy. Our team is here to guide you every step of the way, ensuring that you have the support and expertise needed to navigate the complexities of the financial world.

Don't wait any longer to take control of your financial destiny. Schedule your free strategy session today and embark on the path to financial freedom and security.

## Ready to Take the Next Step?

To schedule your free strategy session, visit our website at InsuranceandEstates.com or call us at 1-877-787-7558. Our Pro Client Guides are ready to help you unlock the full potential of your financial future.

Let's make your financial dreams a reality. Schedule your session now and take the first step towards a brighter, more secure tomorrow.

## What Our Clients Are Saying:

"We retired from UPS 3 years ago at 58... The policies are working great. I wish I had known about this tool when I was 26 instead of 56, but we have really been pleased. Even used a loan to purchase our third rental property in 2023. I never would have been able to do that without the policy, because when I retired in 2022 my income dropped when I started to collect my pension. I was able to bypass the bank because of our policies, and paid the loan back from the rental income that was created. Best decision ever!"

— Tony Douglas, United States

"So thankful this information is readily available through this team in straight forward guidance. The book, written in easy-to-understand language, is what really inspired me to take the next step. My only regret is I didn't know about this strategy years ago, even though I have a traditional WL policy with another company. I am so pleased with the results so far, that I am converting my other policies."

— Cynthia, United States

"Honestly speaking, Insurance & Estate Strategies wasn't our first choice. We actually chose another agent but when the team followed up with us and we told them, they politely asked to review the other agent's illustration and gave their honest review. After that we decided to go with I&E and we could not be happier. We greatly appreciate their honesty and integrity to the Whole Life/IBC industry and ensuring that our current and future financial needs were met."

— Jeffrey & Obing R., United States

"The knowledge in this area is encyclopedic, practical, and extremely helpful. This is a place where you need specialized advice, the 'do-it-yourself' approach just doesn't cut it. The team took the time, ran multiple iterations of various policies from a number of companies until I was satisfied we found the policy that fulfilled my objectives. I would recommend them without hesitation."

— Martin Zeman, United States

Read all 271+ five-star reviews at: trustpilot.com/review/insuranceandestates.com