An overview of the "Be the Banker Concept" "Becoming your own banker"

Imagine you have your own private bank (of your own money) that you can take loans from for whatever you need. Whenever you take a loan, you pay yourself back principal and interest. Instead of a traditional bank making money on your money and the interest you're paying...making all the money!

How much better off would you be?

That's the basic premise the 'Infinite Banking Concept', as written by Nelson Nash in 1994.

How the concept works

Simplistically, clients stock away as much money as they possibly can, as quickly as they can, into a good participating whole life (dividend paying) policy. The money is funneled into the whole life policy for five to seven years. You over-fund (or front load) the policy to just below the MEC guidelines. Then, when you need to make a big purchase, you can borrow the money from yourself, instead of borrowing from the bank (or a credit card company) now you pay back the loan to yourself, plus the interest that you would have paid the bank. You will make the big profit that the bank would have made.

The Basic Concept Isn't New

It's a great concept! However, the basic concept isn't exactly new. Variations of this concept have been used by many of the industry legends for at least 30 years. Thirty plus years ago, these industry legends would tell their clients that the money they put into their participating whole life policy could be used for emergencies, to take advantage of business opportunities, to fund college, to buy a car, and much more. However, if you take money out prior to age 65 (retirement) you'll want to pay the loan back, plus the interest, so you will have the retirement funds you planned on.

It works Better Today

As well as the concept worked 30 years ago, it works much better today because of the paid up additions rider that was introduced in the late 1980's. Today, using a paid-up additions rider, you can dramatically over-fund a participating whole life policy and make it an exceptional wealth accumulation vehicle.

Understanding the Concept

This concept, simply put, is getting clients to funnel all the money they can into a participating whole life insurance policy, as quickly as they can get it in there. And, then the client uses that policy as their own private bank. The reason you use a participating whole life policy is that it offers several unique benefits, which the other investment vehicles don't offer.

- You can put in as much money as you want based on the size of the policy, which you can make as large as you need. (Not so, with qualified plans).
- All the money you put into a cash value life insurance policy builds, tax deferred. You avoid paying income taxes every year, so your money builds faster.
- You can borrow the money from the policy tax free, without contractual withdrawal penalties. And, there are no early withdrawal penalties from the Federal Government. (Not so with qualified plans or annuities).
- There are minimum guaranteed interest rates.
- You have a disability waiver of premium rider that will put the money in for you. This makes the plan self completing, if you ever become disabled. (Only life insurance offers this unique benefit).
- Life insurance provides a death benefit that gives your family the money you intended to save, in the event you can't be there.
- Life insurance cash values generally don't count as an asset when apply for college financial aid.

The Problem:

Opportunity Cost – you finance everything you buy. You either pay interest to someone else or you give up interest you could have earned elsewhere. There are no exceptions. Your own capital has a cost of money as well as that which has been borrowed.

How Our Money System Works

There is only one source of money in our banking system. It circulates from banks to lenders to borrowers and eventually back to banks.

We finance everything we buy. You either pay interest to someone else or you give up interest that you could have earned.

What if You Could Create Your Own Bank???

First, you would need to have a funding vehicle. Then you would need to fund it. This might take 4 to 7 years depending on how fast you could build the equity.

Once you bank was funded you could begin to make loans to yourself (or others) and you would need to pay the bank back. By borrowing and repaying at current or better interest rates, you will be building a machine that will eventually be able to handle all of the banking needs a family might have: cars, education, and homes, whatever. You would be able to create an asset pool that would take the place of Social Security, retirement plans and other market driven assets. It would be a tax-free growth vehicle and it would be a source of tax free retirement funds.

This is not a new concept, but one that has been available for over 200 years.

This deserves your attention.

Is it Risky?

1) A point to consider about an insurance policy is that they are designed to become more efficient over time no matter what happens. How can this be?
2) Insurance policies become more efficient over time because over the life of the policy the cash value is guaranteed to reach the face amount of the policy. As a result the insurance company faces an ever decreasing "net amount of risk".

Possible Uses of the Be the Banker System

1. Medical Insurance – This system works well for people who are "un-insurable
2. Car Insurance
3. Life Insurance
4. Buy Sell Agreements
5. Pension Plans for Employees
6. Home Mortgages
7. Car, Boat Financing
8. Equipment Financing
9. Estate Planning & Wealth Transfers
10. Charitable Trust and Giving
11. College Saving Plans
12. Leasing Business
13. Retirement Planning
14. Eliminates the Need for Social Security
15. Can cover multiple generations – a good method of teaching and transferring wealth to successive generations
16. Business Financing
17. Others-?