The BankYourself Report

BankYourself

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Using The Infinite Banking Concept
To Save Thousands of Dollars in Interest

By Jack Jarrell

Whether a growing business or average American consumer, you rely heavily on banks, credit unions and investors to provide the necessary capital to make all of life's major purchases. Those purchases include everything from consumer electronics and furniture, to your automobile, home and college education. But how much money are you actually paying for the benefit of borrowing?

Every year, millions of consumers fall deeper into debt. They pay up to 20 percent or more to banks as settlement for personal, auto and home loans. The vicious cycle is only exasperated by the challenges faced in trying to repay high interest payments over and above the core principal balance.

But imagine for a moment how your life would change if every dollar you paid in interest was actually paid back to you? Would you achieve your goals faster? Would you upgrade to a larger home? Would you put that money aside for retirement?

This is the fundamental principal behind one of the most celebrated financing strategies on the market today. This strategy is called the Infinite Banking Concept, designed and developed by Nelson Nash in the early 1980s.

How Much Interest Are You Really Paying?

Whether we think about it on a daily basis or not at all, we're going to pay hundreds of thousands of dollars in interest to banks throughout the course of our lifetime. Most of us try to put this out of our mind because the mere thought is just too distressing and depressing. But this doesn't make the problem disappear. Instead of ignoring the problem, the Infinite Banking Concept can help you avoid it altogether.

Let's begin with a brief exploration of the purchasing process. For just one moment, let's assume that we would like to purchase a new car. When we borrow money from the bank to buy our car, do we look at the annual percentage rate or the actual dollar amount paid to the bank over the course of the loan?

Most of us don't realize or have forgotten that these two figures are not created equally. Banks can lure us with low annual percentage rates, promoting their offer as a worthwhile return on our investment. But the only way we can accurately assess the cost of borrowing is by calculating the total sum of all interest payments over the course of the loan.

To paint a better picture, we will use a popular medical analogy as an example. When we visit our doctor's office to get a shot, our doctor prescribes the volume of medication to be dispensed based on several factors like our symptoms, our overall health, our age and our weight. The rate in which this volume of medication is injected does not matter. We should still end up with a fixed dose of medication.

But financial loans are distributed over a longer period of time encompassing several years, if not decades. When we accept an 8.5 percent APR auto loan, 25 percent of our payments are actually put toward interest. This is because we pay 8.5 percent for three, four, five or even six years. That's like receiving six shots from our doctor instead of one.

Likewise, if we're locked into a seven percent APR mortgage loan, an astounding 86 percent of all monies paid go toward interest – not principal. So the APR is not the best measure for determining the actual price we pay in interest.

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Studies have shown that the average American consumer will pay an astounding 34 percent of their after-tax income in interest alone throughout their life. That is more than one-third of our take home pay. Is it worth it?

Understanding Opportunity Cost

None of us can afford to ignore the fact that one-third of our take home pay is whisked away by the bank. But escaping the trappings of interest can prove quite challenging. The obvious solution to this dilemma is to pay out-of-pocket for everything we buy – from cars to homes and our child's college tuition. While this sounds like a valid solution, it's actually not a solution at all. When we pay cash, we still, in essence, pay interest to the bank. Let's look at the reasons why.

Every purchase we make, whether we use bank financing or cash, requires some sort of opportunity cost. This cost comes in the form of either financing interest, i.e. the amount of money we would pay in interest on a credit card or personal loan, or lost interest revenue, i.e. the amount of money we lose while our money is not in a savings or investment account earning interest.

So how can we possibly avoid both interest and opportunity cost while still leading the life we desire? The answer lies in the Infinite Banking Concept, which places the consumer in the banker's position. This proven strategy uses a carefully designed whole life insurance policy as a high-yield financing vehicle.

General Overview

The Infinite Banking Concept is an innovative self-financing strategy that can help businesses or individuals save hundreds of thousands of dollars. This system is much like having your own personal bank or financial institution. You fund, borrow from and pay monies back to yourself, pocketing all interest payments.

While the system works similar to a bank, you certainly don't have to open your own business to benefit from the Infinite Banking Concept. Most individuals and businesses do not have the means or the desire to take on such an endeavor. So the Infinite Banking Concept is designed to offer a smaller-scale version of the same model to help us reap the same rewards.

Specialized financial advisors, like those at BankYourself, a financial advising firm headquartered in Woodinville, Washington, have the knowledge and experience necessary to put this process in motion. Infinite Banking Concept advisors can simplify the entire process, putting it all in layman's terms and designing a financial program that places interest payments in your pockets, not your bank's.

The Perfect Financing Instrument

To ensure interest payments are returned to your pocket instead of your bank's, you need a flexible financing instrument that allows for unlimited deposits and withdrawals. You also want to earn accelerated growth while reducing, if not eliminating, your risk. Most individual investors are only familiar with the basic investment options: savings accounts, stocks or CDs. But, placing all of your savings in either of those investment instruments can lead to disappointing returns or complete loss of your principal altogether. That's why savvy financial advisors steer their clients toward life insurance policies, the perfect financing instrument.

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If you thought insurance policies were only meant for our family and dependents after our passing, think again. While this is a common misconception, smart investors and financial managers are well aware of the hidden investing opportunities these instruments offer throughout our lifetime. To benefit from the Infinite Banking Concept, your financial advisor can set-up a whole life insurance policy offering unlimited funding and withdrawal leverage based on two important criteria, a short payment period and policyholder fund distribution control.

Much more than a death benefit, whole life insurance is the investment instrument behind the Infinite Banking Concept. While both term and whole life policies give the beneficiary financial securities in the event of the policyholder's death, plan similarities stop there.

Term life insurance is like renting financial protection. A term life policyholder pays a set premium each month or year for the comfort in knowing that the face value will be paid to his or her beneficiaries as a death benefit should they die during that given term. Each additional term is accompanied by an even higher monthly or annual premium as the policyholder grows older and the likelihood of benefit payout increases. Eventually, a term life insurance policy is cost-prohibitive. So the policyholder typically drops coverage altogether.

But a whole life insurance policy is more like an ownership program. This policy type insures the holder for life. The insurance company assigns actuaries and rate makers to carefully assess each applicant to determine the best premium price that guarantees company profit and policyholder benefit payout at the time of death. In addition to the policyholder's health, age and other factors, the insurance company will consider the period in which payments will be made. Shorter payment periods translate into higher premiums that can allow greater cash accumulation. Longer periods reduce your annual premium but require more time to accumulate cash value. For Infinite Banking Concept purposes, policyholders are best suited with shorter payment periods. We'll look at the reasons for this shortly.

Requirement One: A Short Payment Period

Earlier we looked at the difference between term and whole life insurance. In doing so, we saw the direct correlation between a whole life payment period and their premium cost. We also saw that policyholders are best suited with shorter payment periods for Infinite Banking Concept purposes.

Insurance companies typically establish terms at the minimum amount an individual can afford per dollar of death benefit coverage. On the flipside, the Internal Revenue Service sets the maximum premium payable per death benefit dollar.

Revenue growth accelerates as our premium payment per benefit coverage rises. So a policyholder selecting the lowest rate set by the insurance company will, in turn, reap the slowest equity growth. Those selecting the maximum amount allotted by the IRS generate the fastest growth rates.

Requirement Two: Fund Distribution Control

Remember the process in which insurance carriers determine a policyholder's premium payment? This will depend on several factors including the policyholder's life expectancy, overall health and payment period. When an insurance company receives a payment, much of this is automatically invested in various financial vehicles like stocks, bonds and real estate. These investments help the company maximize their own profitability. But the policyholder may, instead, choose to exercise his or her contractual right to use that cash value elsewhere.

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This turns our properly designed whole life insurance policy into a valuable financial vehicle, giving the policyholder complete control over the loaning function. As the mere administrator, the insurance company may lend policy funds out or invest them only for our benefit.

Where could we use this money? A policyholder may use funds in any way they desire. Instead of allowing our insurance company to invest funds, we can borrow money to purchase cars, homes, furnishings or vacations. Then, instead of making payments to a financial institution, we make payments to our policy, replenishing the funds borrowed. To reap optimal results, a policyholder must pay an amount equal to or greater than that value we would expect to pay any other financial institution.

In summary, we own the insurance contract and dictate whether or not the insurance carrier may or may not lend our cash value to others. We also retain the right to use 100 percent of this equity to pay for personal expenses while simultaneously avoiding interest and opportunity cost. This system works just like borrowing from a bank, minus the exasperating credit application process and interest obligation.

Tax Benefits For Businesses, Partnerships and Start-ups

In addition to countless other benefits, the Infinite Banking Concept provides exceptional tax breaks for the policyholder. Most notably, businesses and partnerships may use the Infinite Banking Concept to support a cost-effective equipment leasing program.

This process begins when an individuals contacts a qualified financial adviser and a plan is properly designed. This individual may then fund their policy to the sufficient level a company needs to purchase new equipment. When this cash balance is reached, the policyholder may borrow money from the policy to purchase needed equipment. This equipment is then leased to the business at the standard market rate.

Following this process, the policyholder may report this equipment lease on Form 1040 Schedule E. Over a period of up to seven years, the policyholder may also deduct the depreciation and policy interest expense.

From a corporate or partnership standpoint, the rental cost decreases the policyholder's K-1 reported income, which impacts both his or her adjusted gross income and self-employment tax obligation.

Policyholders and organizations using the Infinite Banking Concept as a means to support an equipment leasing program should keep in mind that the IRS does prohibit deduction if loan proceeds are used to pay policy premiums. Each loan must also be made to a valid business entity to ensure an interest deduction benefit. Proper transaction documentation is always advised including, but not limited to, loan amortization schedule and borrowing party's corporate or company resolution records.

Taxpayers who do not itemize on their return forfeit the investment interest expense benefit. Policyholders should contact a qualified tax professional to fully evaluate Infinite Banking Concept benefits based on their unique financial situation.

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The Infinite Banking Concept: Putting It All Into Action

Saving money for any major life purchase can seem next to impossible. Consider the average American family that earns a reasonable income of $45,000 per year (Is this example of income going to limit us to to the average and exclude the upper income levels.) Before they ever see their paycheck, they will lose 20 percent or more to federal and state income taxes.

Next, this family will pay for rent, food, clothes, utilities and transportation, among other expenses. If this family could put aside just five percent of their gross annual income, they could save $2,250 per year.

Now, let's assume this average American family wanted to buy a new car with a sticker price of $25,000. They have three options.

They can:

1. Pay a minimal deposit and finance the rest; or,
2. Pay for their new car in cash; or,
3. Finance the car using the Infinite Banking Concept.

Most of us choose option one, opting for bank financing. In doing so, we can easily expect to pay 8.5 percent or more in interest alone – month after month, year after year until the balance is paid in full. But remember, the bank APR does not accurately reflect the full dollar amount of interest we will pay the bank over the course of our loan. We're back to spending one-third of our income on interest.

But what if we pay cash for the car? Unfortunately, if we chose option two, it would take more than a decade to save enough money to buy our moderately priced car in cash assuming a savings rate of $2,250 per year. During that time, the price of the car will increase in line with inflation. So we're always chasing a moving target.

We should also consider the opportunity cost of our purchase. When we finally do buy the car, the money we use is no longer available to earn interest in a savings or investment account. While we are not directly paying interest to a bank, we're still losing money. Nevertheless, option two is more cost-efficient than option one.

But the Infinite Banking Concept provides the means to accelerate savings accumulation even faster than we could ever do using a standard interest-bearing savings account. So it would not take a decade to save the funds we need to buy the car. This solution brings us closer to our goal in a shorter period of time while simultaneously eliminating the opportunity cost. Option three is the clear winner.

Using the Infinite Banking Solution, anyone can safely and confidently fund up to $100,000 in a risk-free policy between six months and two years, limiting their premium outlay for the rest of their life. This money grows at a higher than average rate – tax-free. We can withdraw as much money as we need up to the full policy amount at any time.

Plus, when choosing option three, we can build our wealth without locking the equity into a volatile stock or real estate market, which changes course dramatically on a dime without warning. Professionally designed by a qualified financial advisor, our safe and secure whole life insurance policy increases in cash value at a set rate each year – guaranteed.

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While option one and option two might grow at the same rate for the first few years, option two will eventually outrank the former. Plus, a dividend-paying permanent life insurance policy provides the benefits attainable through any life insurance policy.

Those life insurance benefits include:

- No tax obligation on dividends payable up to the policy's cost basis
- No tax obligation on the money borrowed from the policy's cash value
- Cash value shelter from creditors and judgments in most states

Using The Infinite Banking Concept

The Infinite Banking Concept is undeniably one of the best and most cost-effective financing vehicle for both businesses and individuals. This foolproof system can help just about anyone reap the rewards previously afforded only to major financial institutions. Instead of borrowing and paying interest to a bank for the privilege of making major or minor purchases, we can now borrow from our own personal policy, receive the interest payments paid and build our own wealth.

How we use our new policy is completely up to us. Individuals frequently use the Infinite Banking Concept to pay for college tuition or private schools, furniture and appliances, consumer electronics and computers, cars and trucks, homes and real estate investment property. Others appreciate the security in knowing that they have funds available in the event of an emergency or natural disaster.

Businesses and start-up ventures use the Infinite Banking Concept to provide the necessary capital and leverage they need to get their company off the ground. Because it is sometimes difficult to obtain bank financing without several years of profitability, these operations can avoid red tape and application approval delays. Cash value can then be used to finance office rental, product design and engineering, research and development, aggressive marketing and advertising, furnishings and inventory, boosting their chance of success.

Thousands of men and women also use the Infinite Banking Solution as a means to fund their retirement. This system delivers the risk-free, high-yield results they need, maximizing their investment and securing their future. They also feel confident in knowing the money they invest is not tied to risky stock market activity.

Visit www.bankyouself.com to complete the quick and easy online request form and receive your own free copy of R. Nelson Nash's bestselling book Becoming Your Own Banker. Then email info@bankyourself.com or call 425.481.7875 to find out more about the Infinite Banking Concept, its immense benefits and ways this system can work in your own life!

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About BankYourself

BankYourself (BankYourself.com) is an trusted and established financial management firm headquartered in Woodinville, Washington. The company focuses solely on the Infinite Banking Concept, designing financial products to maximize capital preservation for each client. BankYourself President, Jack Jarrell, offers more than two decades of specialized industry expertise, designing permanent, participating dividend, whole life insurance policies.

As an Infinite Banking Concept specialist, BankYourself helps clients structure whole life insurance policies in the most efficient, cost-effective manner. The company helps new policyholders determine which life insurance companies and terms work best within the Infinite Banking Concept. BankYourself also establishes the highest premium payment allotted for policy funding while helping clients avoid Modified Endowment Contract classification. Each system is structured to maximize tax benefits and growth potential.

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