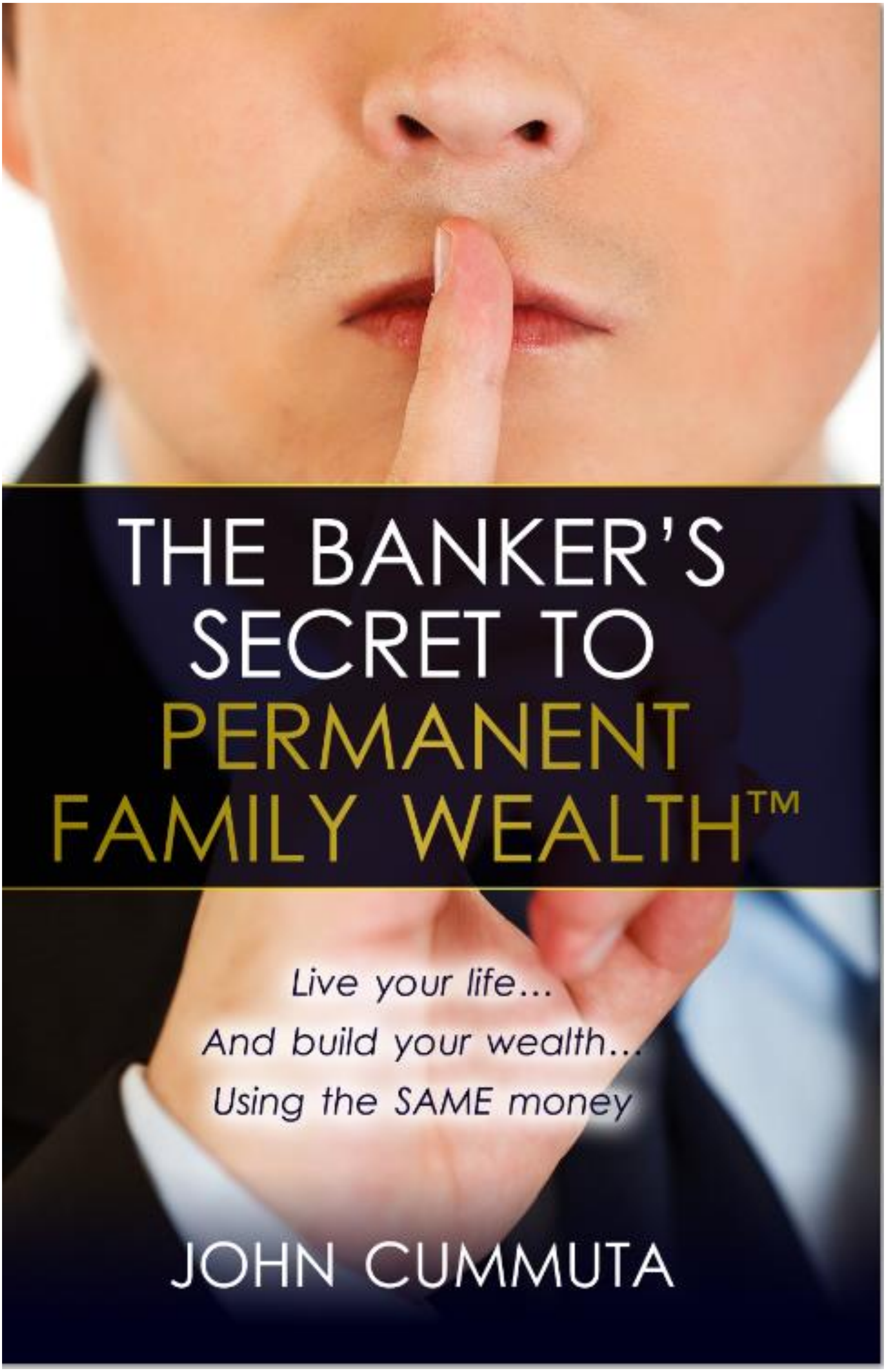

THE BANKER'S SECRET TO
PERMANENT FAMILY WEALTH™
Live your life…
And build your wealth…
Using the SAME money
JOHN CUMMUTA

“The Banker’s Secret to Permanent Family Wealth™

John Cummuta

Live your life…

And build your wealth…

Using the SAME money

Disclaimer

None of Content and Design, Inc., its owners (expressly including but not limited to John M. Cummuta), officers, directors, employees, subsidiaries, affiliates, licensors, service providers, content providers and agents (all collectively hereinafter referred to as the "Publisher") are financial advisers and nothing contained herein is intended to be or to be construed as financial advice.

"Content and Design is not an investment advisory service, is not an investment adviser, and does not provide personalized financial advice or act as a financial advisor.

The Banker's Secret to Permanent Family Wealth™ exists for educational purposes only, and the materials and information contained herein are for general informational purposes only. None of the information provided in the book or associated videos is intended as investment, tax, accounting or legal advice. The information in the materials should not be solely relied upon for purposes of transacting any investment or purchase.

The reader hereby understands and agrees that *The Banker's Secret to Permanent Family Wealth™* and Content and Design, Inc. do not offer or provide tax, legal or investment advice and that you are responsible for consulting tax, legal, or financial professionals before acting on any information provided herein.

Your use of the information contained herein is at your own risk. The content is provided 'as is' and without warranties of any kind, either expressed or implied. Content and Design, Inc. disclaims all warranties, including, but not limited to, any implied warranties of merchantability, fitness for a particular purpose, title, or non-infringement. Content and Design, Inc. does not promise or guarantee any income or particular result from your use of the information contained herein. Content and Design, Inc. assumes no liability or responsibility for errors or omissions in the information contained herein.

OK…now that the lawyers are happy, let's get on with it.

About the Author

Hi. I'm John Cummuta. I'm the author of the *Transforming Debt into Wealth*® System, the *Debt-FREE & Prosperous Living*® Basic Course, *Are You Being Seduced into Debt?*, *Wealth Machine: How to Start, Build, and Market a Debt-Free Business That Fits Your Life*, *The Power of Perpetual Income*, the *Wealth Generator System™*, *The Credit Solution*, *Debt-Elimination 101*, the *Customer-Focused Direct Marketing* book, the *SPEED™* direct marketing system, the *Sales Machine™* database marketing system, and co-developer of the *DebtFree™ for Windows*® debt-elimination software.

My heart is for my fellow Baby Boomers and their children because the weakness of the Social Security system, the insecurity of jobs, dwindling pension plans, the dangers of the stock market, and the money-siphoning strategies of the banking industry have left this faithful group of Americans with insufficient resources to achieve financial independence. My targeted financial strategies offer a real-world exit ramp from this highway to heartbreak. I've been privileged to help more than 3 million people worldwide position themselves to achieve retirements that most people will only dream about.

I'm best known for my *Transforming Debt into Wealth*® system — the best-selling personal debt-elimination program in the world today. This comprehensive multi-media learning program teaches working people that the way to financial independence is not through "managing" their debts, but through eliminating them...all of them, including their home mortgage, in as few as 5 to 7 years, using just the money they already make.

In this book, *The Banker's Secret to Permanent Family Wealth*™, I want to help you complete the process by explaining exactly what I'm personally doing with the cash flow freed up by eliminating debt payments to turn that cash flow into secure, dependable wealth. More than that, I'll show how to multiply this strategy by passing the system down to succeeding generations, so they too know how to build and keep wealth the way bankers do. This generationally-cascading wealth system makes wealth "permanent" for your family. I'll even show you how to use this proven system as a vehicle through which to pay off your debts, while simultaneously building your wealth.

However, this is not just another method for having your money make money. I sincerely believe this may be the last safe, secure, and dependable place to keep and build your money, in a world where markets and governments increasingly enrich themselves by impoverishing income earners.

Contents

Introduction – How You Gonna Get There?

Everybody wants to achieve "financial independence." We all want to enjoy financial security now, and then hit retirement age – whatever that means to us – with enough income to continue living a rewarding lifestyle until we get direct-deposited into a grave; but very few people are on a trajectory that will get them there. In fact, the vast majority of people are headed for a financial train wreck or at least a seriously diminished lifestyle in their "golden years."

Please stop your brain train for a moment and think about that. Have you ever defined your post-employment lifestyle with any specificity – like *when* you want it to begin, *where* you want to live, *what* you want an average day to include, *how much* monthly income it would require, and so on? Let's face it – **the answers to these questions determine where your financial choices and decisions are taking you**. If you haven't clearly defined these targets, your subconscious mind is left to assume them from the implied goals of your closest friends and family, cultural and family history models, and your own unspoken conclusions. Here's the critically important point about this: **your subconscious mind will work tirelessly to get you to the destination you give it…or the one you leave it to assume**.

Whatever that destination turns out to be, you will live in it for a long time. Statistics show the average person will live 2 decades or more past traditional retirement age. We *hope* these decades will be our most enjoyable, but we can be almost certain they'll be our least energetic and physically capable, so shouldn't we all be planning to be a bit easier on ourselves during those 20+ years? Wouldn't it be good if those decades were the least financially taxing years of our lives? Seems reasonable, yet most people live with a stunning disregard for planning for those decades. They consume their incomes during their peak earning years and then many of them give what little they've managed to save to their children to go to college, because they've been convinced they owe their kids a degree more than they owe themselves a reasonably secure post-employment life.

Most people don't give enough thought to how much it will cost to live comfortably when they no longer want to work full time, and to how they will produce that required income stream. They put their future financial requirements last behind their current indulgences, their lifestyle competition with friends and family, and their kids' futures. My heart breaks to see so many good people living post-employment lives far below their working lives, and way below their hopes and dreams of decades earlier.

How bad is it?

Since I don't know the specifics of your personal situation, I'll use national statistics to paint most people's reality. For objective data I'll turn to the Employee Benefit Research Institute's latest report on Individual Retirement Account Plans. The below figures show how much the average person has in savings by age grouping.

- < 35: $6,306
- 35 – 44: $22,460
- 45 – 54: $43,797

- ■ 55 – 64: $69,127
- ■ 65 – 75: $56,212
- ■ 75+: (sample size insufficient)

OK, let's put these figures into perspective.Financial Planners will tell you that you should limit your withdrawals to about 4% of your nest egg each year in retirement. At a 4% withdrawal rate, your nest egg should last as long as you will. To find out how much you should have in retirement savings for this withdrawal rate, divide the amount of gross income you think you'll need each year in retirement by 0.04 and you'll have your target nest egg amount. For example, a $50,000 annual gross income would require a nest egg of $50,000/.04 or $1.25 million.

Look at the above savings by age groupings again. Do you see an average savings amount anywhere near $1.25 million?

But you'll be getting Social Security, right? OK, let's assume you'll collect the average Social Security income of $1,175 a month. That would add up to $14,100 a year, leaving $35,900 a year to be provided by your savings and investments. At a 4% withdrawal rate, your savings and investments would now have to total $897,500. Again, average Americans aren't saving anywhere near that much.

There's no hope!

Feeling a little behind the power curve in light of these figures? Understandable. Let's look at common options to save up your $897,500.

- **Investing.** OK, I'll need to assume an age here, so I'll go with the middle of the above age ranges. That would be about 55. I'll also assume you already have the average $69,127 in your savings account by that age. What will it take for you to grow that amount to $897,500 in a decade?
    - Let's be optimistic and say you could invest $1,000 a month for the next 10 years. You would need to find an investment that would return an average 27.805% each year to get you to the $897,500 you'll need by retirement.
    - Good luck finding that rate of return. According to research firm Dalbar, Inc. the average stock market investor gains just 3.83% annual ROI.
- **A business of your own.** An additional income stream can make a big difference to both your current and long-term financial pictures, but for right now – as a regular income earner – we're only talking about your ability to save and invest.
- **The lottery.** Since you have a statistically better chance of being struck by lightning than of winning the lottery, you may as well jump on every email chain letter that promises wealth if you forward it to your whole address book. I'd also eat a lot of Chinese food to up your chances of scoring a great fortune cookie promise.

Doesn't look like you can win, does it? Of course, you could do a "Kirk." If you're not a *Star Trek*® fan, I'll explain. James T. Kirk is the only Star Fleet Academy cadet to beat the Kobayashi Maru test. This is a test of how a starship commander would deal with a no-win situation, much like you may face in terms of building up anything like $897,500. So how did Kirk beat the test? He reprogrammed the training simulator so he could win. In his own words he, “Changed the conditions of the test.”

Similarly, you can change many of the conditions of your life by the time you reach your post-employment years, so you won’t need as much in savings and you won’t be limited to the “4% withdrawal rule.” **I’m going to show you how to have *more* money at your disposal…money that’s growing tax-free and available to you tax-free.** However, to achieve this goal you’ll have to really want it, because it’s your level of desire that will determine your likelihood of success. The principles I’ll show you work 100% of the time. Will you?

What’s Your *Why*?

Your *why* is the answer to the question, “*Why* would I undertake the disciplines necessary to achieve this or any other financial game plan?” Up to now I’ve been talking about money and retirement, your money and your potential retirement. But your vision for your post-employment years is only one component of your *why*. Your *why* is your overarching, gut-level, emotional purpose for making and saving more money, both in the short and long term. So what are the factors that make up your *why*?

Is your *why* to buy your life back?

I have a friend who’s a chiropractor. He invested 8 years training and $150,000 tuition to become one, and he’s a good one. But after more than a decade in business he realized that his practice owned him, not the other way around. His *why* was to buy back his time. He didn’t want to achieve financial independence just so he could ride around in a fancy car and live in a nice house. He was already doing that. He wanted to not have to be constantly thinking about or managing his practice.

Even though he had other chiropractors, along with the necessary support people working in his practice, they just *worked* there. He was the owner, so he had to worry about bringing in new patients, paying the $40,000 a month in overhead, and keeping up with the latest equipment and technologies. He was thinking about it all the time. He wanted a life beyond the business. That was his *why*.

What's yours?

I know single parents who desperately want to raise their own children instead of paying daycare workers to do it. That's their *why*. I know parents who would give anything to make it to all their child's little league games, or better yet coach the team. That's their *why*. I know many people who just want to stop worrying if this is the month one of the utilities gets shut off because they're always behind. That's their *why*.

What's yours?

Are you half way or better to retirement age with nowhere near half of what you'll need to retire? Are you hoping to be able to help a child or grandchild get a great education? Would a vacation home or just a better home make life a lot more enjoyable? Would it be deeply rewarding to be able to give people money instead of just well-wishes when they tell you their very real troubles? Would you like to give more at church or to important charities?

What is your *why*?

You need to find the answer inside you; probably deep inside if you want to connect with your complete *why*. Some things are obvious in the *why* department, but we're often living with ghosts of an underprivileged childhood, or with financial stresses on a relationship, or with other emotional markers that would be healed by achieving financial security. These are powerful *why* components and they're more useful if they're consciously accounted for.

In this book I'm going to show you how to satisfy your *why*. So let's get started.

Chapter 1 – This Is No Drill!

Here's what *Forbes* Magazine columnist Edward Siedle recently said in a *MoneyNews* article.

> "The United States is failing to prepare but is nonetheless set to witness the world's greatest retirement crisis. People are living longer, but there are growing indications that many can't afford to live comfortably in their golden years.
>
> "Findings from the Employee Benefit Research Institute (EBRI) reiterate the harsh reality reported in other surveys: Americans do not have enough money to retire. According to EBRI, more than half of U.S. households possess less than $25,000 in savings and investments when their homes and pensions are excluded from the picture. Many have no pension to consider in the first place, as the trend of extending these benefits is evaporating. And those that are so lucky to receive them better watch out. If an unexpected need for $2,000 arose in the next month, only half of U.S. households could find the money.
>
> "Whether you know it or not someone is busy trying to figure out how to screw you out of your pension,"
>
> Siedle considers 401(k)s, which were marketed as placing people's futures in their own hands, as a great experimental disaster. He was once employed

as mutual fund legal counsel, and says the way retirement funds were sold to working Americans is "almost laughable — if the results were not so tragic."

As we are already seeing, many older people have had to return to work because they either could not afford the costs of living or they need employer-subsidized healthcare. Others realize they need more money so they work longer, considering themselves to be postponing retirement. But many Americans have put ideas of retirement aside and plan to work as much as they can for as long as they can.

In the end, most people will end up in the same boat, according to Siedle, "with deteriorating health, a lack of employment opportunities and insufficient funds…too frail to work, too poor to retire."

Scary…and completely true

People who intended to stop working over the past decade, and those who hope to stop working in the future, face nearly impossible odds.

As I think back to when I started this journey, I'm stunned by the differences between then and now. It was so much simpler at the beginning of the 1990's. It's not anymore. In just the past decade and a half we've watched the stock market crash twice and the government spiral into indescribable debt. These two landscape changes impact you and me in two ways:

1. Almost all qualified plans – 401(k), 403(b), IRA, SIMPLE, Keogh, etc. – invest your contributions in the stock market. A stock market, as I'll shortly show you, which cannot be depended on to grow your savings.
2. Taxes in qualified plans are *deferred* not eliminated. In other words, the government thinks of those deferred taxes as *their* money. When their overspending and over borrowing gets to critical mass, where do you think they'll look for the money to make up for their irresponsibility? Your retirement accounts, that's where.

This means that money you have in qualified retirement accounts is vulnerable to the heartless, undependable temperament of the stock market, and it's susceptible to the appetite of an out-of-control government. In fact, even money you have outside brokerage accounts could be in jeopardy.

The island nation of Cyprus is one of several EU countries experiencing severe national debt problems. Part of a plan to save the country's banking system from total collapse was to literally steal money from individual savings accounts. Cyprus government spokesman Christos Stylianides said: "We averted a disorderly bankruptcy which would have led to an exit of Cyprus from the Eurozone with unforeseeable consequences." Asked about the level of losses on uninsured depositors in Bank of Cyprus, he told state radio: **"The assessment is that it will be under or around 30 percent."**

> Investment legend Jim Rogers, chairman of Rogers Holdings, asks the obvious question. "What more do you need to know? Please, you better hurry, you better run for the hills. I'm doing it anyway. I want to make sure that I don't get

> trapped. Think of all the poor souls that just thought they had a simple bank account. Now they find out that they are making a 'contribution' to the stability of Cyprus. The gall of these politicians."
>
> Rogers' idea is that the risk of a confiscation of bank deposits now exists anyplace on the globe. In fact, it has been reported that one of the designers of the "legal" confiscation of money from private Cyprus bank accounts was the head of our own FDIC, the agency supposedly "guaranteeing" the contents of our bank accounts.

Does that scare you? It freaks me out. A national government stealing money from its citizen's savings accounts to make up for its own unbridled and irresponsible spending. When you get down to where the rubber meets the road, governments have just one place to get more money to feed their voracious appetites for spending, and that's from their citizens. It's only getting worse…especially in the United States.

So here we sit, between the stock and the hard place…between the markets and the government. The stock market, like Las Vegas, let's you win now and then to keep you in the game; but in the long run the house always wins. And whether you win or lose in the markets, whatever is left in your retirement account is fair game for the government. Does that make you feel insecure? It does me. It makes me insecure enough to write this book.

Run for the Exits

I know a lot about markets and how they work, and I'm getting out of stocks and bonds as fast as I can. **Stock markets can't be trusted with any money you can't afford to lose.** One of the smartest stock market professionals I know, a guy who was a big shot with a large national brokerage firm and who still has a stock trading advisory service, spends most of his time and energy building a network marketing downline. That's how unreliable the market is. Those who know the most about it don't keep their eggs in that basket.

The same actually goes for bond markets. Even though they have an aura of safety, nothing could be farther from the truth. While the interest (coupon) from a bond is generally guaranteed, the face value is not unless you personally hold it to maturity. If you own bonds through a mutual fund, when interest rates start going up you could lose your shorts, elastic band and all.

"Saving," and "Investing," used to mean different things. People *saved* up for retirement, and if they had some mad money left over, they'd do a little "speculating" in the markets. Stock market investing was largely a game for the rich; but in the 1970's the government blurred the distinction by creating qualified "retirement" accounts, like the 401(k). These accounts were almost exclusively vehicles for investing in the stock market, a game most working people had no experience in, but the accounts were promoted like retirement *savings* accounts so a lot of people bought in…and put their future in the hands of the gamblers of Wall Street.

I think of putting money into paper securities like laying it down on a Las Vegas felt tabletop. You should only use money you can let the spinning wheel or cards take away from you without damaging your life. Someone who started investing in the stock market in 1999 was **back to zero** a decade later. Those ten years produced two surges and two crashes that brought them right back to where they started. The market took their money. The mutual funds took their fees. The brokers took their fees. And the investor ended up with nothing. A lost decade!

But, as destructive and scary as the market and the government are, they're not the worst thing happening to the typical American's finances. The biggest loss crippling most people's ability to achieve financial independence is the 34.5% of take-home income the average consumer spends on interest payments. **It amazes me when I see people crowing about improving their investment returns by 1% or 2%, while they're coughing up 30+% of their after-tax income to interest.** On their mortgage alone most people are paying an effective interest rate over 85%, because they're in the first decade of their latest mortgage!

The average American is being severely injured or even crushed by interest costs, investment markets, and the taxman. Are you? Even if things seem to be going relatively well for you and your investments at the moment, do you feel secure that the other shoe won't drop next week, next month, or next year? Are you, like many people with retirement funds in stocks, feeling queasier as the market goes higher? What would you do if the market decided to drop right before you plan to retire? Would you end up like those who experienced that in 2000 and 2008 – forced to continue working indefinitely?

I can't state this too strongly. If you don't have a dependable plan for your financial future, **you will likely endure decades of toil and stress**. It's not too late, but you must be willing to think differently. We've all been tricked into playing someone else's game with our retirement funds; a game where the house always wins.

In this book I propose to solve all three problems for you:

1. I'll show you a saving/investing system that will give you good, dependable growth that will **never go down**. You will **never** lose any of your retirement funds because the market decides to "correct."
2. This system will **protect your money from taxes**, judgments (in most states), and government avarice. Your money will grow tax-free, you'll be able to take it out tax-free, and the government can't take it to pay their overdue bills.
3. This system will allow you to **recapture the money** you're currently losing to interest…and all that interest will earn interest for you!

In fact, this amazing system can actually help you pay off your debts and **build cash wealth at the same time!** That's right. The money you use to pay off your debts won't just go to your creditors anymore. It can also build cash wealth for you, at the same time, using the same dollars!

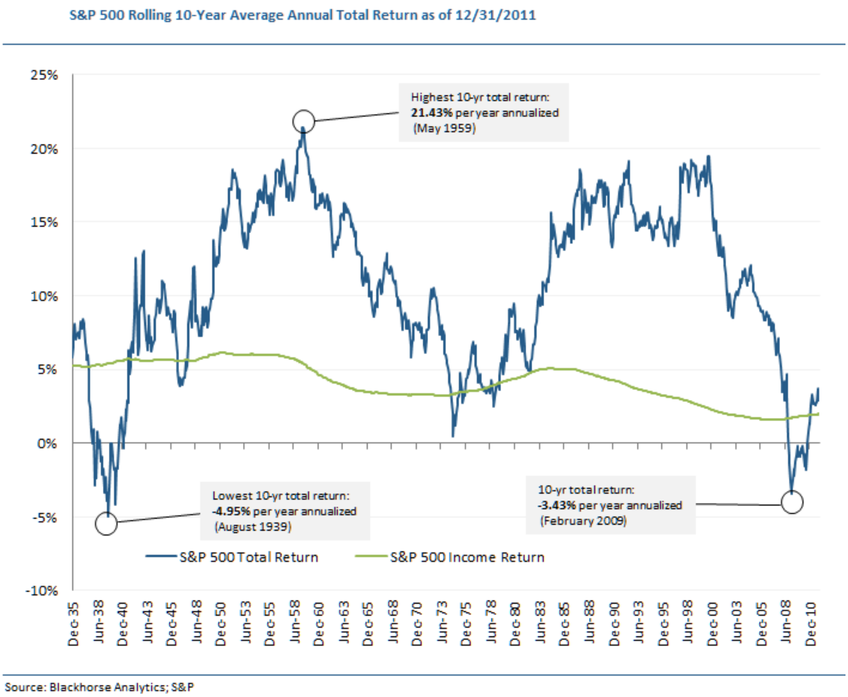
This system is an important answer to me

I've spent more than 20 years showing people all around the world how to pay off their debts as rapidly as possible. Debt-elimination has been my mantra and my goal for the millions of people I've been able to reach. But deep down I've known that – as important as debt-freedom is – it is only half the formula. You also need a system to turn your newly-freed-up income stream into wealth. It must include both a secure place to keep your wealth and a dependable, safe system to grow your wealth.

The stock market is not such a place or system. The below chart speaks for itself. It shows the U.S. stock market's total return over time. While it occasionally peaks, it then takes back everything it gave you. And if you break the chart into decades, you'll find very few that generously rewarded investors. Most produced moderate growth or terrifying losses. Dalbar Inc. is a company which studies investor behavior and analyzes investor market returns. The results of their research show that **the average equity fund investor – for the twenty years ending 12/31/2010 – earned a market return of only 3.83%.**

That number may have you scratching your head. If it sounds low to you, that could be because the market may have been stronger recently. We tend to evaluate most things in our lives by our most recent experience of them, and – at the time of this writing – the stock market has behaved well for the previous 6-12 months, and moderately well since March of 2009. But that short-term view is deceptive when compared to a longer window of 10-20 years. Here are some recent financial news headlines that bear out this memory lapse.

- *Bull Market Erases Investor Memories of 2008-09 Crisis*
- *Fed Low-Rate Tactics Push Senior Citizens Into Stocks*
- *Are Screaming Headlines a Sign of the Top?*

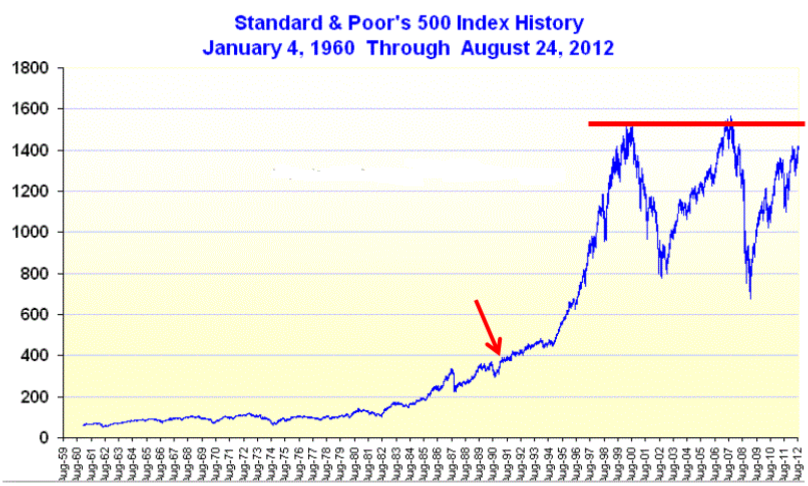


Why is the average investor's return on investment so low? The typical investor gets nervous when the market declines, but they try to hang on. However, if it turns out to be a serious correction or bear market, their patience runs out near the bottom and they sell lower than they bought in. They conclude it's better to be out of the market than to endure such losses. When the market starts a recovery, the inexperienced and now-burned investor doesn't trust it. So they sit on the sidelines watching institutions and experienced individual investors jump in. Finally, after the market has proven to them that it really is going up, they jump back in (buy high) somewhere near the top before the next correction or downturn.

Buying high and selling low is a prescription for going broke. Most people are not experienced enough nor do they have the temperament to successfully manage market swings, so they lose. They feed their money to brokers, mutual funds, and more savvy investors. I'm actually a little surprised they end up averaging a positive 3.83%.

The salient point is that it doesn't matter whether your stocks are held in mutual funds or those mutual funds are held inside a qualified plan like a 401(k). The stock market has proven lethal to millions of would-be retirees, yet most financial advisors and teachers have been telling their followers to, "max out their retirement accounts, dollar cost average, and stay in the market," throughout the past decade of turmoil, toppling, and terror. I, on the other hand, have grown increasingly silent over that time about how to build wealth because I wasn't sure myself! I was sure back in 1991, but since 2000 it's been a new reality.

Here's what changed...



When I first started teaching my debt elimination concepts in 1991 (red arrow), I was telling my students that – once they were debt free – they should pack their newly-recovered monthly cash flow into qualified retirement accounts and invest those funds in the stock market through mutual funds. That was good advice…for the following 9 years. In 2000 the "Tech Bubble" popped, and the market proceeded to lose half its value. But, for someone who started investing in 1999, it lost **all** of its value!

However, the pundits were saying that buy-and-hold was still alive, and if we just hang in there, Mister Market would come back and reward our steadfastness. Well, Mister Market did come back beginning in 2003, and it looked like the pundits were right…until 2008 when the floor fell out again because the real estate bubble popped. OK…fool me once, shame on you. Fool me twice, shame on me. I was through believing the pundits.

It was clear to me that the stock market was not the answer for most people. I knew there had to be a better way. It was clear that my debt elimination focus was still correct. You can't possibly build wealth if you're feeding a third of your after-tax income to creditors. But once you've fired your creditors, how do you safely, securely, and dependably build your wealth with your newly-freed-up income stream? I could no longer answer that question with the standard wealth-building clichés. I had to find a more secure, dependable, and productive way to build wealth – for my family and for those I'm privileged to teach. After years of closely watching the system I'll explain in this book, it has proven itself to check all the important boxes.

- ✓ It must be as **safe** as, or safer than, a CD or bank savings account.
- ✓ It must offer real **growth** potential – guaranteed.

- ✓ It must offer **liquidity** of all of my money, if necessary, without penalties.
- ✓ It must **protect** me from taxes.
- ✓ It must **not require a dramatic lifestyle change**.
- ✓ It must **complete** its wealth-building mission for my family even if I die before accomplishing it myself.
- ✓ It must give me a way to build wealth **with the same money** I use to make purchases and pay off my debts!

About a decade ago people began asking me to check out this unusual financial concept. I looked into it and found it fascinating, but it was sufficiently outside the box that I didn't want to begin trumpeting its benefits without more examination. So, for the next 10+ years I watched this concept and compared its results to all the typical markets we invest in: stocks, bonds, and real estate. I now I feel so strongly about its advantages over traditional wealth-building options that I am compelled to share it with you.

I'm convinced this concept should be the bedrock of nearly everyone's personal finances. I feel so much better about this system than I do about the stock market or any other typical investing market that I am moving **all my and my wife's savings and qualified plan money into it as fast as I can.** I am putting lots of my money where my mouth is. I can't tell *you* what to do, but I can tell you what *I'm* doing…where my conviction is today. I sincerely believe that not using this system leaves you exposed to a lot of unnecessary financial risk, and it leaves you throwing potentially hundreds of thousands of interest dollars down the drain as well.

I call this concept *The Banker's Secret to Permanent Family Wealth™* because it's based on the same principles bankers use to get and stay wealthy. Why do you think businesspeople will set aside millions of dollars in capital, go through the multi-year process of qualifying for a bank charter, and then invest more millions to build bank buildings and advertise for customers? Because they know they will shortly thereafter begin making mountains of money, **and they'll do it without using a penny of their own cash after the front door opens!**

After a decade of watching this vastly-misunderstood concept, I saw the answer to my search for a dependable family wealth-building system. More than that, I saw a way to make that system permanent, so that succeeding generations could become wealthier and wealthier instead of dissipating the money as is usually the case.

So let's explore *The Banker's Secret to Permanent Family Wealth™,* and we'll start with the problems you face so you can better appreciate its solutions.

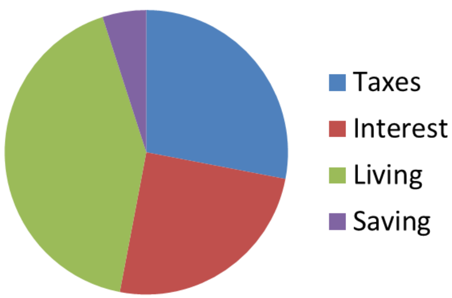
Chapter 2 – Beat the System by Becoming the System

You're being robbed!

Most of the money you earn is being taken from you. That's right! More than half the money you earn is being stripped out of your life, most of it involuntarily, but much of it with your active consent. Obviously, if you're like most people, it's impossible to build financial independence with **less than half** your income – especially in undependable investment markets.

Let's look at where your gross income goes:

- 28% of the average American's gross income goes to income and payroll taxes.
- 25% goes to interest payments. (34.5% of after-tax income)
- 42% goes to living expenses.
- 5% goes to saving and giving.



The result, according to the Employee Benefits Research Institute:

- 64% of 65 year-olds have **less than $50,000 saved**.
- 65 year-old life expectancy:
  - Man – 17 years
  - Woman – 19 years

- 65 year-old couple has 50% chance of needing $450,000 above Medicare for medical expenses.

Look at these statistics. The majority of 65-year-olds don't even have $50,000 saved by "retirement age," yet they're expected to live another 2 decades. That's about $4,000 a year to live on; in addition to whatever they'll get from Social Security and perhaps a pension. And, if they can't afford a robust Medicare supplement insurance policy, they'll be broke as soon as any big medical bills hit. They'll have to liquidate all their assets, fall into poverty, and qualify for Medicaid.

Of course, those are savers. Investors must be doing better, right? Well, they are doing somewhat better. According to Fidelity Investment Company Institute: 401(k) accounts reached **a record average $74,900** in 2011, but that's a drop in the bucket when compared to what a household will need to live nearly 2 decades after retiring – especially if they end up in the 50% that will require medical funds beyond what Medicare provides.

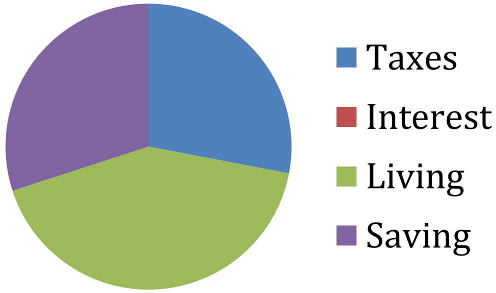
The bottom line is starkly clear. People aren't saving or investing enough. Why not? Because of where this chapter started: they're being robbed! **You're** being robbed! Taxes and interest sweep away more than half the average American household's gross income; and then, as we've seen, the stock market often steals what they've managed to squeeze out for saving.

But what if you could…

- **Keep the 34.5% of your *after-tax* income** lost to interest payments?

- Have all that **interest earn interest** itself?
    - **Guaranteed** positive growth – no dips?
- **Reduce** your taxes and your heirs' taxes?
- **Pay off** your cars, home, student loans, credit cards, while **simultaneously** building retirement wealth…**using the same dollars**?
- Dramatically **reduce investment risk**?
- **Eliminate** the contribution and withdrawal restrictions of typical retirement plans?
- Enjoy **unrestricted liquidity, control, and use of** your money for *any* reason?
- **Protect your wealth** from creditors, judgments, and law suits?
- Build your wealth **tax-free**?
- **Be assured** your wealth plan would succeed even you are disabled?
- **Be assured** your wealth plan would succeed even if you die before you complete it?
- Withdraw your wealth **tax-free**?
- Transfer your wealth to your heirs **tax-free**?

That would change things



Now 30 % would go to saving and giving, instead of just 5%

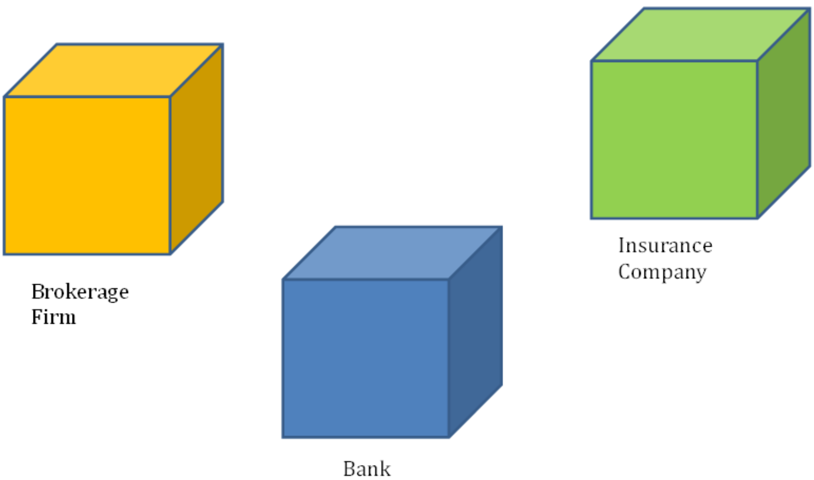
Less would go to income, payroll, and other taxes.

The 42% going to living expenses could also build your wealth…**at the same time**!

How can you build such a system?

You need to change who profits from the use of your money. You need to change who controls the use of your money. In other words, you need to change boxes!

What am I talking about?



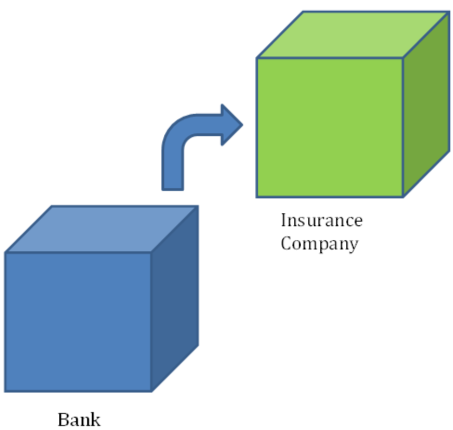
Banks, brokerage firms, insurance companies, and other financial institutions are just boxes in the money pool. They each have their label, their sign over the door, but in reality they are just boxes that money moves into and out of. We get hung up on the labels, but the people who own and run these institutions don't.

For example, if a bank is approached by a large developer wanting a loan for a big apartment complex – but the bank doesn't have sufficient resources of their own to cover the loan – they'll just go to an insurance company and borrow a block of money at a low interest rate. The bank would then lend the money to the developer at a higher interest rate. It works the same way for the other boxes in the money pool. They just move money among themselves as needed. They see each other as boxes in the money pool, operating in concert to put their money to work profitably.

So what does this mean for you and me? It means something a lot more exciting than just a way to squeeze another percent or two out of our investments. It means that if you and I just change boxes, we can effectively **become our own bank!**

Your Private Family Bank™

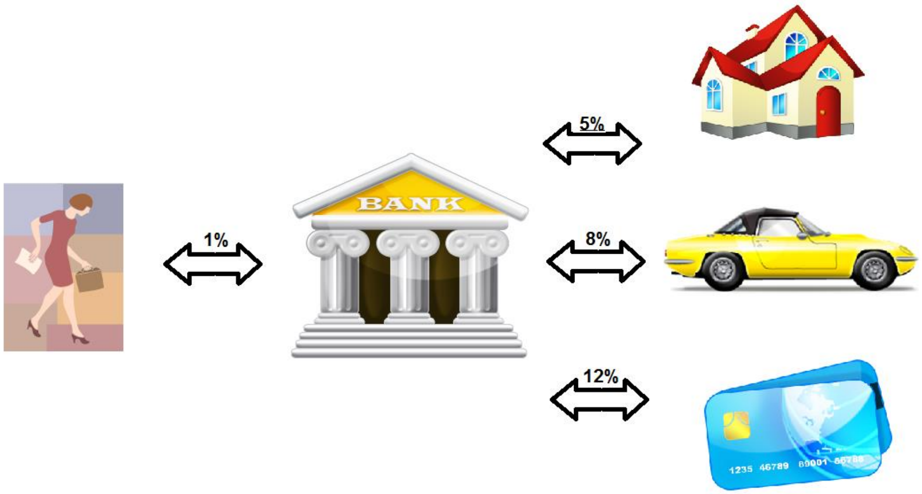
If you're willing to forget about the labels over the doors, I'll show you a way you can start using the insurance box to become your own bank. But first let's look at why this is a good idea.



How banks make money

Banks make money by simply being middlemen in our financial transactions. You deposit money in your savings account. You get paid a whopping ¼%. If you deposit a large amount of money, say $50,000, we'll be generous and say you get 1% interest! So where does the bank get the 1% to pay you?

They turn around and lend your money to borrowers. If someone needs a mortgage, the bank will lend them money deposited by you and other depositors and charge 5% or more interest. If someone needs to finance a car, the bank – either directly or through the dealership finance department – will lend depositor money to the borrower at 6%–8% or more (even on cars they claim offer 0% interest). If someone uses a credit card, the bank is lending them depositor money and charging them12% or higher interest.



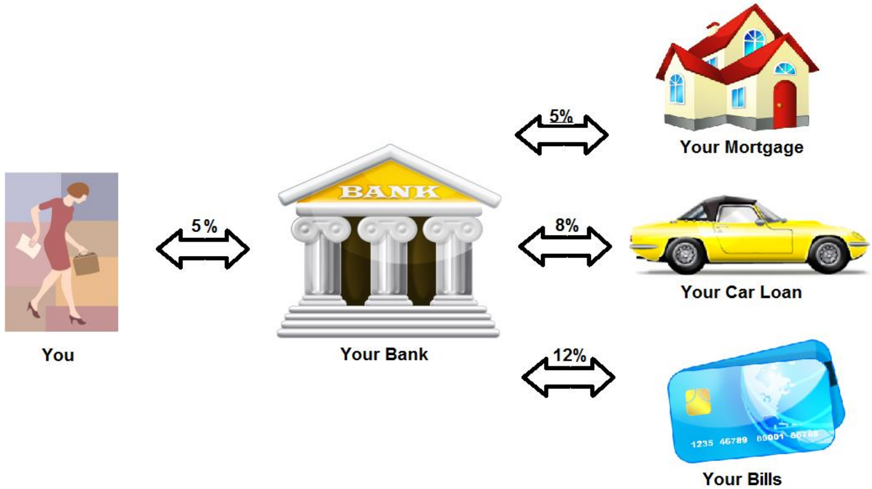
So the bank, with no skin in the game, makes a spread of 4%, 7%, 11%, and more! Pretty good. No wonder businesspeople are willing to go through so much to start or even buy a bank. It's a money machine!

On the other hand, if you're the borrower in this picture, your interest payments represent money forever lost from your life. It is building the wealth of the bank's owners. You are the bank's investment. It's helpful to remember that every dollar that comes into your life is going to build *someone's* wealth, and you get to decide whose. The only way to keep this money in your life and have it build your wealth is to become the bank owner. That's exactly what I'm going to show you how to do, but first let's see how that changes the above picture.

How would the numbers look if you were the depositor, the borrower, **and the bank**?

How your *Private Family Bank™* makes money

The images are the same, but the interest being paid by the borrowers (you and your family) now belongs to you, the bank owner. It goes into your bank and earns compounding interest for you. You were going to be paying that interest to someone anyway, so making the payments to your bank doesn't change your lifestyle…just your ultimate wealth. And look at what happens to the measly 1% *the* bank was paying you for your money on deposit. The money you deposit in *your* bank is growing **5 times as fast!** You're a much better banker than *the* banker, don't you agree?

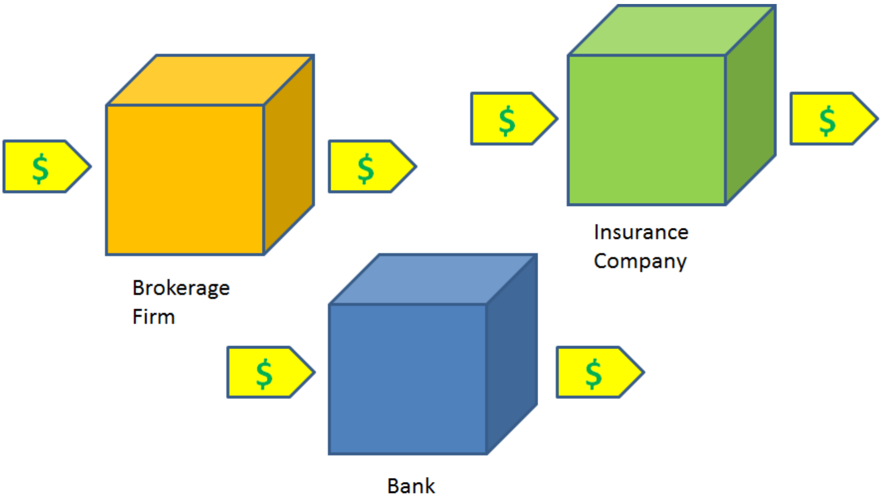


You're also a much more understanding banker. When you want to take out a loan from your own bank, for any reason, you won't require an application, credit check, proof of income, or anything else to qualify for the loan. You'll just ask yourself (the bank owner) for a loan, and you (the bank owner) will simply say, "Yes!" And if you can't make a loan payment one month, you won't report yourself to the credit agencies or slap yourself with a stiff fee. It won't affect your credit score or your ability to get additional money from your bank, even if you make no payments at all! So it's much simpler and easier to get loans, and there are no penalties for missing payments.

Forget the box labels

We get hung up on the labels over the doors of boxes in the money pool, but they're all just places where we put money in and we take money out.

You make deposits into your bank, and you withdraw money through checks, ATM transactions, and loans. You make contributions to your brokerage 401(k) or IRA accounts, and you withdraw that money through distributions or loans. You make premium payments to your life insurance company, and – if you have the right kind of policy – you can take money out tax-free.



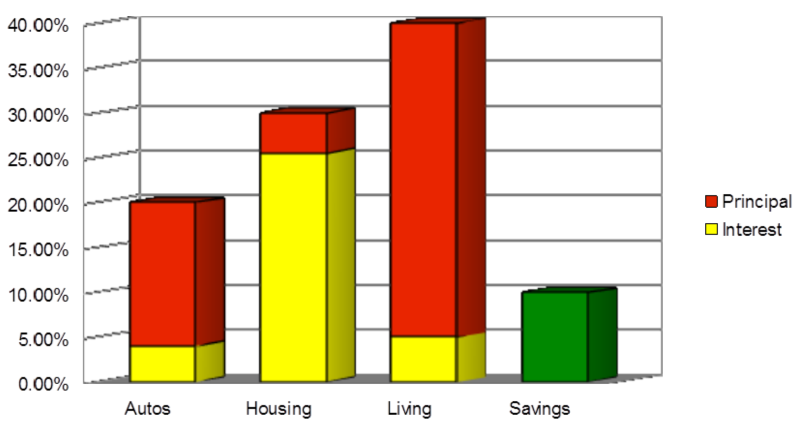
It's all just money in – money out. The labels on the boxes or on the types of deposits and withdrawals are not important. But the difference in whose wealth is being built is crucial.

Here's why changing boxes can be so powerful for you

The below chart shows a typical American household's use of their after-tax income. Thirty-four and a half percent goes to interest. The red part of each bar shows the principal amount, the actual cost of your cars, homes, and other consumer items. The yellow segments show the interest you're paying to use the bank's money to make each purchase. Interest is the most damaging enemy of your financial success. Interest payments have no redeeming value, even if they're tax-deductible. They're just money leaving your life to enrich someone else's (the bank owners). However, this 34.5%, or whatever it is in your finances, represents **your greatest financial opportunity**. If you can redirect this significant chunk of money back into your own interest-earning account, it can literally change your financial life. We hear the "change your life" thing a lot, but this rerouting of interest you're already paying really can have that kind of impact.

As I said earlier, most people – if they're diligent – save 5% to maybe 10% of their income and then sweat bullets trying to find an investment that will give them 1% or 2% more return. Yet a potential 34.5% return sits right in front of them. All it takes to retain that interest is to be in the right box. Once you are your own bank, those interest payments can stay in your system and build your wealth.

The average American's spending/saving



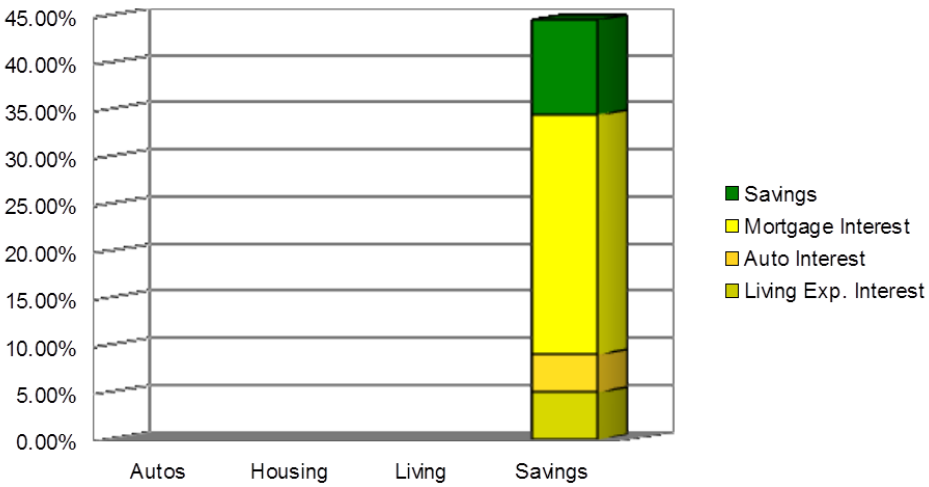
Imagine what a difference it would make in your wealth picture if you could capture the money lost to interest payments (the yellow segments above) over the rest of your financial life – and have that money compound at a solid interest rate. **Instead of just saving 10% of your take-home income, you could be saving nearly 45%!** Since you'd be paying yourself the interest on your cars, home, and consumer purchases, it would all stay in your financial system; and then that interest itself would earn interest and dividends…which would compound year after year.

This will literally change what would otherwise be an expense – lost interest money – into an investment. What most people consider just a cost of doing business could turn their lives around and give them a real chance at a financially secure and enjoyable post-employment life.

The main reason most people fail to achieve financial independence is that they grossly underestimate how much they should be saving each month; and because they don't see the urgency to save, they feel OK about buying things that could hardly be described as necessities. The real damage, however, comes when they buy those things on credit, because they not only waste the dollars going to the merchant but they throw away the dollars going to the bank as interest. Even the interest dollars spent on necessities like cars and homes may as well be burned in the fireplace, because they buy you nothing.

But those interest dollars can make all the difference in the world if you turn them back towards your own Private Family Bank™.

Interest and saving combine inside *your* bank



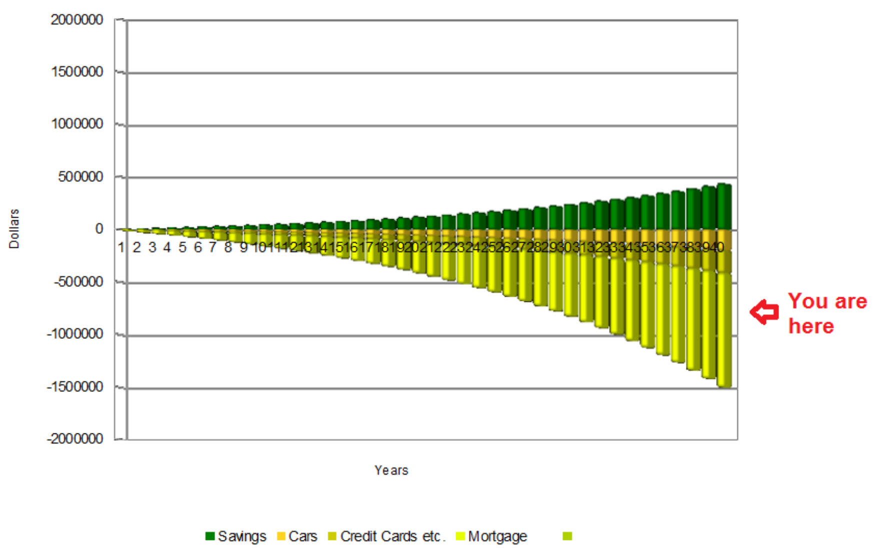
The power of this system cannot be overstated. It can make the difference between enjoying retirement and just surviving retirement. It can make the difference between your children and grandchildren enriching bankers when they pay back their student loans or enriching themselves. It can make the difference between car-buying being an expense and being an investment!

When you pay interest to lenders other than your own bank you are experiencing losses. Most people get that. But what most people don't realize is that **losses compound over time just like gains.** You will earn a finite amount of money in your life. Sending a major share of it to banks as interest instead of saving it is the most common reason most people end up far short of what they need for retirement, educating their children, medical expenses, travel, and just enjoying their golden years.

Those dollars earn interest for the bank you send them to instead of for you and your loved ones. Over a lifetime, the compounded interest you won't earn on that money can be staggering. Of course those interest dollars are gratifying to your lenders because *you* are their wealth-building program. That's why they call your mortgage an asset when it's a liability to you.

Compound interest is powerfully negative when it's working *against* you. You're working to earn thousands of dollars that someone else is ending up with. How does that make sense? Someone else is eating the fruits of your labor.

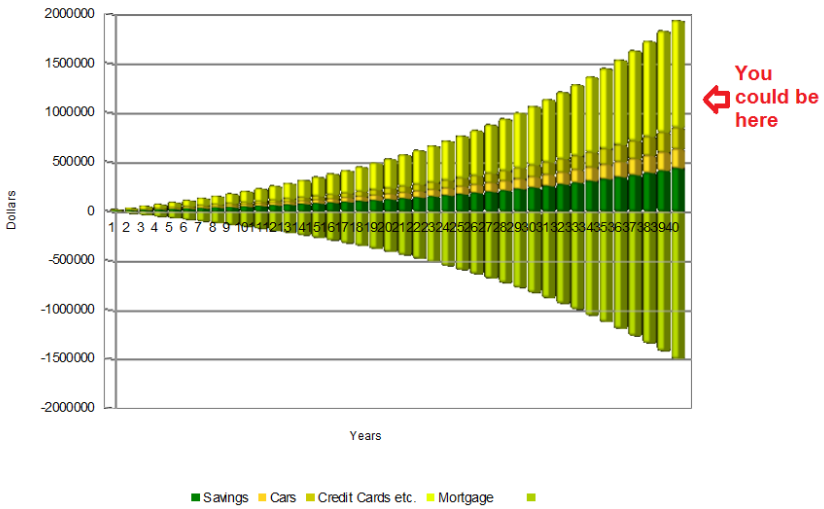
Here's interest compounding *against* you over time



Let's make that interest compound *for* you over time

It has been widely reported that Albert Einstein was asked what he considered to be the most powerful thing in the universe, and without hesitation he said, "Compound interest." Whether or not the story is precisely true, the answer is arguably accurate, because the compounding effect causes interest you earn today to earn interest itself tomorrow. Interest is growing on top of itself and multiplying. It gets bigger and bigger at a faster and faster rate. No wonder geniuses are impressed by it.

But those of us who are not geniuses often lose sight of the steady, unrelenting power of compounding. In this give-it-to-me-right-now culture we're not well equipped to wait for compound interest to do its work. However, when we let it do its work it is impressive! All it needs is something to grow from, and the pile of interest most of us pay out to our creditors is more than enough for compounding to make us wealthy – very wealthy.



In this simple example, the difference in outcomes between compound interest working *against* you and compound interest working *for* you comes out to almost $3.5 million! Which curve would you rather be on – the poverty curve or the wealth curve?

Then what you want to do is…

Chapter 3 – Open Your Own Private Family Bank™

It's as simple as 1, 2, 3

1. Start your bank
2. Capitalize your bank
3. Use your bank

1. Start your bank

To be clear, we are not starting an actual bank. We are using the financing capacity of a whole life insurance contract to *function* like a bank for our own benefit. This is the **same financial instrument** that banks use to invest their tier one capital for guaranteed safety and growth. They call it BOLI or Bank Owned Life Insurance. It is owned by most banks and recommended by the FDIC. One banker was quoted in the book, *Pirates of Manhattan.,* saying, "It's our bank's best performing asset."

Well, if it's a *bank's* best-performing asset, perhaps it should be *our* best-performing asset. We won't call it BOLI, because you and I are not technically banks; but we will use the same concept and the same instrument – permanent life insurance – to achieve the same end: safety, liquidity, and growth.

I'm not talking about off-the-shelf, generic whole life insurance here. To maximize the banking capabilities, you need a **specially-designed** permanent life insurance contract with a mutual (policyholder-owned) life insurance company. It is a safe, liquid way to hold and use capital. I'll explain more about the contract in a bit.

You won't likely hear about this kind of policy from your insurance agent for 2 reasons: first, the vast majority of insurance companies do not offer this kind of policy contract; second, this policy structure reduces the agent's commission by 50% to 70% because it's designed to maximize your cash accumulation rather than your death benefit. An agent's commission comes primarily from whole life's death benefit provision.

2. Capitalize your bank

Where will you get the money to start your bank? Well, since your bank will primarily be a tool to save and grow money for current and future needs, are you saving any money now? Are you contributing to a 401(k) or IRA each month? Do you have an emergency fund in a savings account or CD? If you answered yes to any of these questions, I'd argue that your Private Family Bank™ can prove a better destination for that money. It can be safer and more productive as premium dollars going into your banking policy than in qualified plans or bank accounts. If your employer is giving you an immediate dollar-for-dollar match for your contributions into your 401(k), you should probably keep funding it to the extent your contributions are matched, but anything above that amount could be rerouted into premium dollars for your Private Family Bank™.

Remember, these dollars are not going away. They are simply going from one account you own to another account you own, and are mostly available for your use anytime you need them.

I'm moving money out of qualified plans into my Private Family Bank™ as fast as I can. I'm older than 59 ½, so I don't have to worry about the 10% penalty, and I'm convinced that today's tax rates are the lowest we'll see in our lifetimes, so I'd rather pay the income tax now. I'm also moving money inside my qualified plans into cash or their most conservative investment options.

Are you overpaying any bills to get out of debt sooner? I understand debt elimination. That's my specialty, and I've come to appreciate how a Private Family Banking™ policy can be used as a powerful platform from which to pay off your debts. **Imagine having the money you use to pay off your debt balances simultaneously remain in your bank earning interest and dividends, which continue to compound for you.** It's true. So I'd recommend you at least consider redirecting that overpayment money into your own bank as premium dollars. Then take money out of your bank to pay off your debts according to your plan or a plan we can tailor for you.

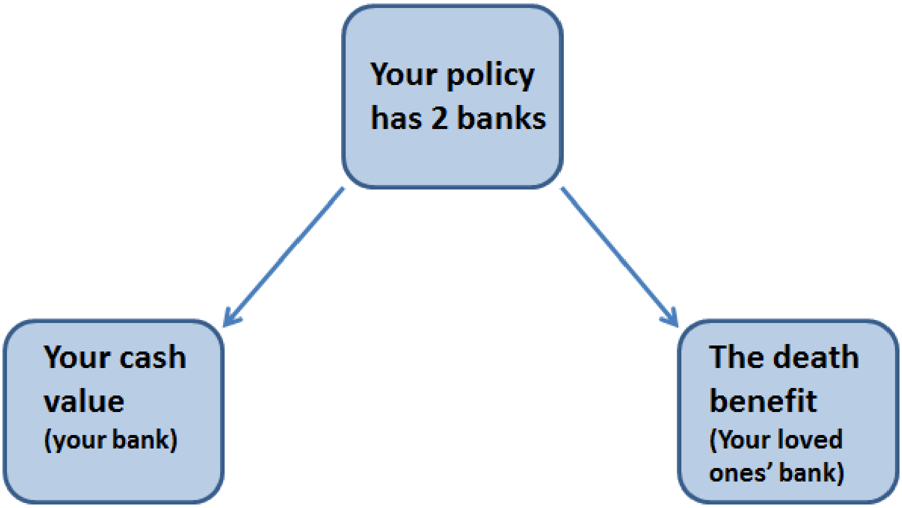
Now we've covered several sources of premium dollars, and I want you to note that none of these changes would impact your daily lifestyle or cash flow. If you're saving money or contributing to a qualified retirement plan, you're used to that money going into savings right now. And, if you're overpaying bills to reduce debt balances, you're also used to that money being unavailable for spending; so using these dollars for premiums to capitalize your bank would not change your lifestyle now. They would, however, dramatically improve your lifestyle in the future.

Once you've identified money already going to saving or debt elimination, the next layer would be looking for money you are unnecessarily spending on things for which there are easy, less expensive replacements. For example, a designer coffee and a muffin ($7-$10) on the way to work each day can easily add up to $150-$200 a month. Going out to lunch at fast-food eateries each workday can add another $150-$200 a month. Premium cable or satellite channels add up, as do visits to the sports bar or Friday evening hangout. You probably enjoy these treats, but are they more important to you than financial independence? In the appendix of this book I've included a *Premium Finder Form* you can use to chase down dollars that are leaking out of your life which could be put to better use capitalizing your Private Family Bank™.

A policy can be designed to fit almost any budget, but it's useful to think in terms of $417 per month premium units. Does that sound like a small amount to save each month? Then just multiply it as many times as fits your plans and budget. Remember, these are dollars you are *saving*, not spending.

Does $417 a month sound like a lot? Well, the typical month contains 176 working hours. That would equate to $2.37 an hour. Is your financial future worth $2.37 an hour? Of course it is. However, the more important reason to think in these dollar terms is that they will allow your Private Family Bank™ to start accumulating a useful amount of money. Policies can be designed with lower premiums, but their banking capabilities will develop more slowly. If the purpose of this strategy is to build a pool of money you can use to take over financing purchases for which you currently use outside banks, and to build up a nest egg you can retire on, then be as aggressive as possible funding it.

It's also useful to think of funding your bank as actually building 2 banks simultaneously: your bank (policy cash value), and your loved ones' bank (policy death benefit).



When you consider both banks as a return on your premium investment, there is no other investment or savings vehicle that even comes close to your Private Family Bank™. The moment the policy takes effect, the insurance company immediately guarantees that your loved ones' bank is fully capitalized. Then you gradually capitalize your bank.

You can capitalize your bank using:

- Current earnings
- Savings
- Qualified retirement plans
- Other insurance policies you own
- Money freed up by debt consolidation
- Even your monthly bills
- Payments can range from lump sum, to annual, to quarterly, to monthly

One of the funding methods that most people don't naturally think of is using their bills to help capitalize their Private Family Bank™. I'll explain this in more detail later, but it's one of the unique benefits of this financing system.

3. Use your bank

If you just take steps 1 and 2, build your bank and capitalize your bank, it will perform as a safe and profitable investment like a savings account or CD, but it will grow faster than any bank saving vehicle. In fact, it will likely outperform the stock market over time because it will never experience a loss. Let's assume the stock market averages an 8% return on investment over time while your Private Family Bank™ gives you a 5% return, you'd naturally think the stock market would provide a superior opportunity to grow your money.

However, let's evaluate these two accounts over a decade. During that time your Private Family Bank™ steadily compounds at 5%. No surprises, no hiccups. The stock market, on the other hand, has one year with a 20% correction in it. That's actually being very generous to the stock market to say it would return an average of 8% for 9 out of 10 years, and that the correction would only be 20%, but let's go with that. At the end of the decade there would actually be more money in your Private Family Bank™. You see, while investment account gains compound, so do losses. When you don't have losses, a lower rate of return will actually give you more money! The tortoise really does beat the hare. Steady compounding outperforms the zigzag, saw tooth nightmare we call the stock market.

So, just putting money into your policy bank and letting it grow in there will produce a comforting return for your financial future. Plus, your family will have the peace of knowing the death benefit (your loved ones' bank) is there just in case.

However, if you also take step 3 and use your bank…

Your cash value (your bank) grows even faster. Why? Simple: you will be paying the interest you're currently sending to other banks to your bank instead. No rocket science. It's just a redirection of your cash flow. As I showed earlier, you could be paying a third or more of your after-tax income to outside banks as the interest component of bill payments. **Recapturing that interest is the biggest potential gain available to you with this system**, because not only does the interest end up in your bank instead of someone else's, but that interest earns interest and dividends itself. It compounds!

If I told you I knew where you could get a guaranteed 15% ROI investment, would you be interested? Sure you would. Well, look in your wallet or purse, because that's the average interest rate paid on credit card balances at this time. **You are the guaranteed 15% investment for the banks that issued your credit cards.** When you simply make those same purchases with money from your Private Family Bank™ and pay your bank the same monthly payment you would've paid to your credit card banks, you become a guaranteed 15% return investment for yourself!

This is actually way better than paying cash. Using *your* bank is always better than using *a* bank.

Most people, unfortunately, never have a life insurance contract explained to them as a personal financing system. Why? Because most insurance agents look at whole life insurance as a death benefit with a nice little savings account inside. **However, in the real world most people have a much greater need for finance than they do for a death benefit.** The way a Private Family Banking™ policy is constructed – maximizing its financing benefits – it becomes a really good savings/investing account with a nice little death benefit inside. It functions as your bank, so you get to be depositor, borrower, and bank. You get to be the recipient of all the borrower's interest payments, and those interest payments earn interest and dividends from the insurance company!

You can use your bank to…

Finance the things of life:

- Cars
- Homes
- College educations



And invest in other wealth-building assets:

- Real estate
- Precious metals
- Oil and gas

Let's buy a car

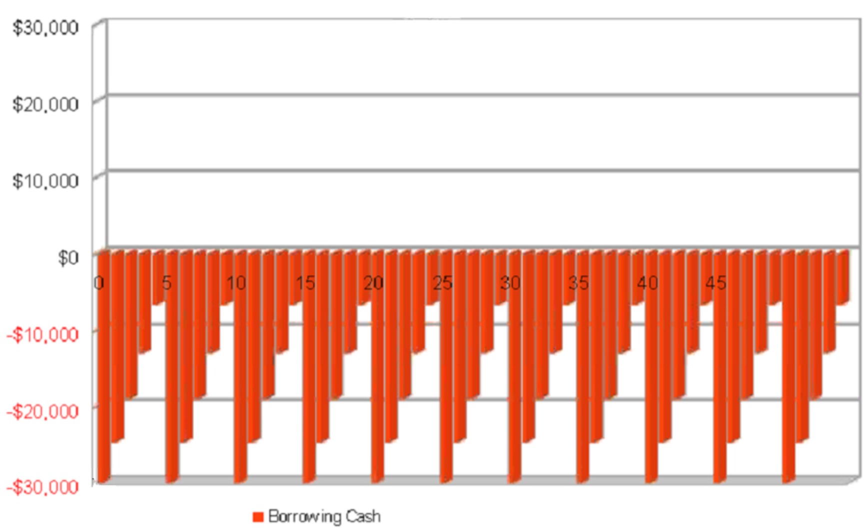
There are 2 common ways to buy a car:

- Borrow from *a* bank
- Pay cash

You could lease a car, but that's such a financially horrible exercise I won't even deal with it here. If you borrow money to buy a car, at least you end up with an old car. Leasing is just long-term renting. Lots of money leaves your life, and you're left with "poof!" nothing. Let's stick with actually buying a car.

Far and away, most people finance their car purchases. A few people, who have a better grasp of the onerous cost of interest, save up for their cars and pay cash. The borrowers know they're paying interest. However, the cash buyers – who think they're avoiding an interest cost – are paying interest also. Let's see how that works.

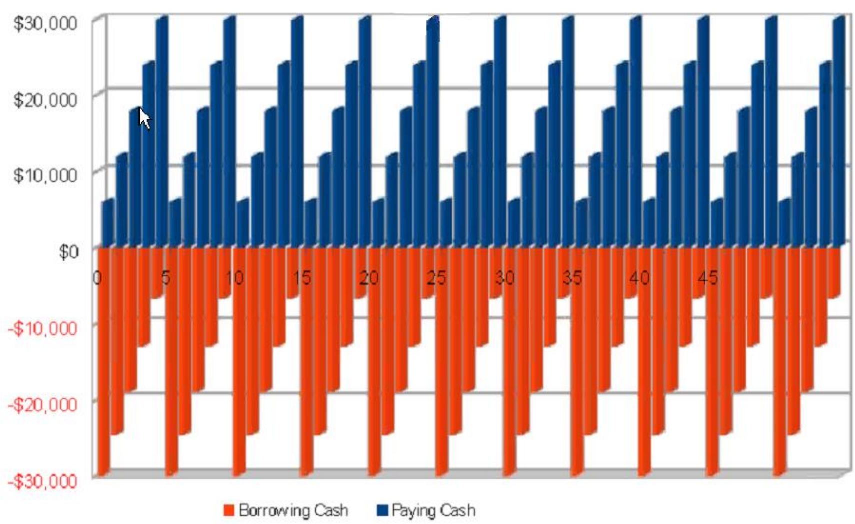
Borrow from a bank



The borrower in our example above goes to the bank for $30,000 to buy their car. Over the next 5 years they gradually pay the loan back with interest, finally decreasing their debt to zero. About that time, however, they decide they need a new car. So off to the bank (or the banks' representative in the dealer's financing office) they go. Back in the hole for $30,000, they begin the long hard trudge paying their loan back to zero. Since the borrower is paying the price of the car plus interest, they will pay more for the car than the cash buyer will.

So let's look at the cash buyer in the below chart. The cash buyer (blue bars) has to save up the money to pay cash for the car, so it takes – in this example – the same 5 years. Once he or she has the $30,000 saved up they liquidate the account and go buy their car. Their savings account falls to zero and, if they're smart, they immediately begin saving for their next car purchase. If they don't, they will eventually have to be the borrower and get the money for their next car from the bank.

Paying cash



So which is better, financing or paying cash? Well, let's look at the above chart again. Notice that both the borrower and the cash buyer are continuously racing up and down to zero. And **they're both paying interest!** The borrower pays the obvious interest charged on their loan for the car. The cash buyer, on the other hand, is paying the interest they will no longer earn on the money they liquidated out of their savings account to pay cash for their car.

This lost interest for the cash buyer seems like an unavoidable cost of buying things the right way, by paying cash. I mean, how else can you do it? Could you expect to be able to take the $30,000 out of your account but still continue earning interest on the full $30,000? Not in a regular bank. But in your Private Family Bank™ you could! We'll see how that works in a moment.

For right now, just understand that the bank wins either way. The following chart shows us how much the bank profits as the middleman in these transactions.

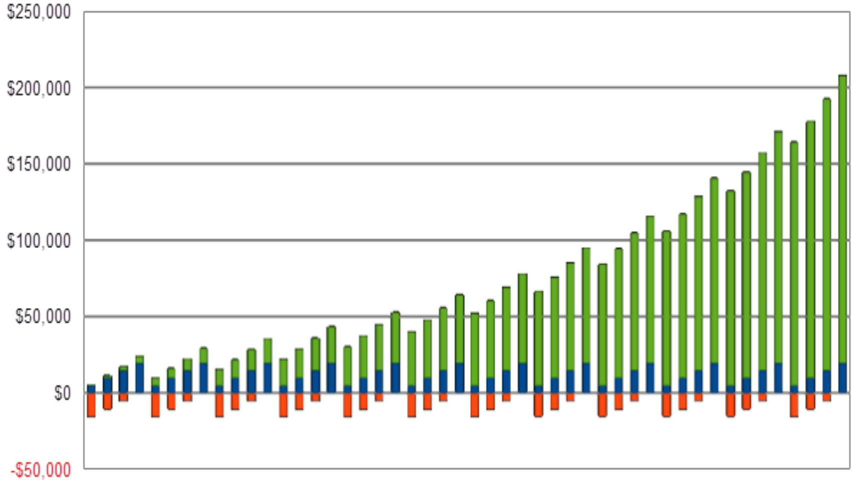
	A	B	C	D	E	F
1	Cost of Purchase	Interest Rate	Frequency of Purchase			
2	$30,000	5.5%	5			
3						
4	After	11	purchases			
5						
6	The Borrower has spent			-$378,203		
7						
8						
9	The Cash Buyer has spent			-$330,000		
10						
11						
12	Do you want to know how much the bank has made?					y
13						
14				$380,820		
15						

What do the above numbers tell us? Both buyers make a car purchase every 5 years, and they do this 11 times over their car-buying lifetime. The cash buyer pays 11 times the $30,000 purchase price, for a total of $330,000. The borrower does indeed pay more than the cash buyer: specifically $48,203 more in interest charges over the 11 car purchases.

But look at the big red oval. The bank made $380,820 – which is more than either of the two car buyers ran through the bank. Even more remarkable is the fact that the bank used **none** of its own money. They lent the cash buyer's $330,000 to the borrower. Then the bank took a fraction of the interest the borrower paid them and gave it to the cash buyer as his savings return on investment. **The bank had no skin in the game but made a third of a million dollars!**

It pays to be the bank. Since long before Jesus threw the moneychangers out of the temple, bankers have been making a fortune on the spread between what they pay for money they borrow and what they charge for money they lend. So let's see how much better it would work for you if you were the bank. We'll buy those cars again, only we'll finance the purchases through your Private Family Bank™.

Financing through *your* PFB

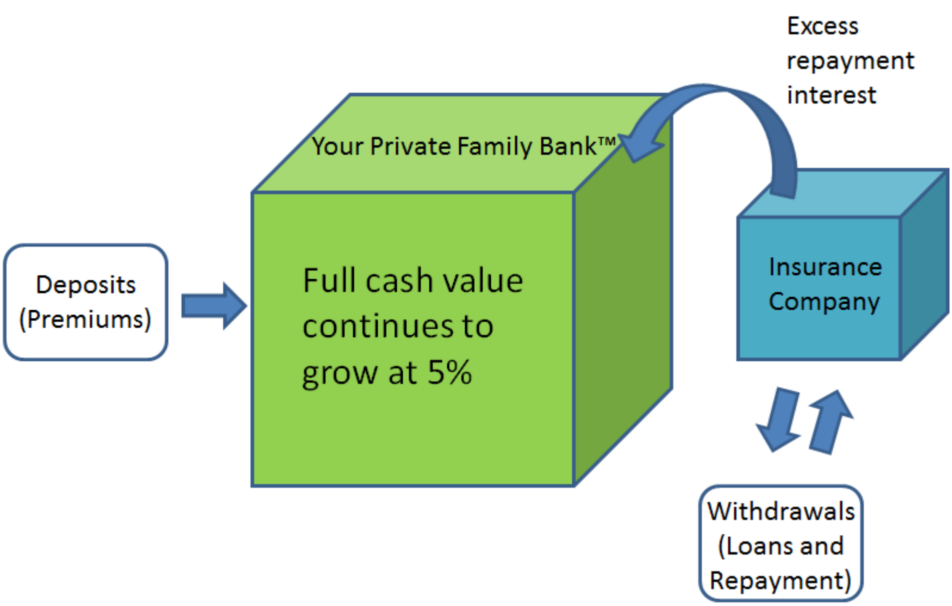


The small red and blue bars on the above chart are compressed versions of the borrower and cash buyer from the previous chart, and the green bars represent your money building in your bank. It starts as small interest and dividend earnings on the money you're saving for your first car purchase, but instead of the account dropping to zero as in the cash-buyer example, **the full capital, the interest, and dividends stay in your bank and continue earning interest and dividends.** And instead of making payments plus interest to an outside bank, you make those same payments – at the same interest rate an outside bank would've charged – back into your own bank, recapturing what would have been lost money, so it can also earn interest and dividends as well.

Over time this growth accelerates, and while you just go about saving up and buying cars every 5 years, your wealth builds in your bank to more than $380,000! Remember, you are doing nothing more than the cash buyer did in our example. You're just saving up for your $30,000 car and then withdrawing that amount to make each car purchase. The difference – that builds up to more than $380,000 of real, cash wealth for you – is the compounding of interest and dividends paid on your growing cash value in your Private Family Bank™. There's no difference in how much you're sending to the bank each month. The difference is what bank those payments are going to. So your cash flow and lifestyle are unaffected. Only your wealth is affected…and very positively!

There is actually one other important difference. With your bank, you get to use the same $30,000 over and over again.

Here's where the magic is



When you deposit money into your Private Family Bank™, it begins earning interest and dividends, currently at an annual rate of about 5%. However, when you make a withdrawal – usually through what is called a policy loan – the money is **not** coming out of your cash value. **Your full cash value remains in your policy earning interest and dividends.** You actually borrow the money from the insurance company's general fund. They then put a paperwork lien against that amount in your cash value, but they do not remove it. They're using that portion of your cash value as collateral for the loan.

The insurance company charges interest – also currently 5% – on outstanding loan balances, but here again is where the magic comes in. Since all the money you put into your bank stays in your bank earning 5%, **that interest and dividend amount is continually getting bigger because it's calculated on an ever-increasing, never-decreasing balance**. However, the 5% being charged on loans is on continually decreasing balances, so your bank's cash value is always outgrowing loan costs. Once people get this "secret sauce" benefit of their Private Family Bank™ they look for every opportunity to put more money into their cash value. One way to do that is to pay back a higher interest rate than the insurance company charges, just as I explained on the car purchases above. Let's run through a specific example of using a policy bank to buy cars.

Tom and Mary's PFB

Tom and Mary decide to start a Private Family Bank ™ to buy cars and to eventually supplement their retirement income, so from age 31-34 they pay in $10,000 a year in premiums. That's only 4 years of premiums for a total of $40,000. A year later they begin buying cars with policy loans, purchasing a new one every 5 years as in our previous example. Tom and Mary are honest bankers, so they repay the loans to their bank. However, they decide to overpay the interest on their payments back to the insurance company by an amount equal to the policy's approximately $4,000 annual base premium. So they're using car payments – something they would be doing anyway – to put more cash value into their policy and increase the policy's death benefit at the same time.

At age 70 they start taking $30,000 a year out of their Private Family Bank™ to supplement their retirement funds. Remember, they only put in $40,000 to initially capitalize their bank.

Let's jump forward 15 years. **By age 85 they've taken $743,458 out of their bank** in loans for cars and supplemental income. These loans allow you to take your money out tax free. Don't let the "loan" label get in your way. The insurance company doesn't care if you ever make a payment on a loan, because they have the collateral in your cash value. They will simply add any unpaid interest charges onto the loan balance, and if you die with any outstanding loans, they're paid off out of the death benefit with the remainder going to your named beneficiary.

Even after taking out nearly three quarters of a million dollars in car loans and retirement funds, Tom and Mary still have $26,876 in cash value in their bank! And they still have a $189,113 net death benefit, which would include the policy's $26,876 remaining cash value plus $162,237 of insurance. That's so good I have to summarize it.

Tom and Mary's PFB performance:

- $743,458 generated for cars and living expenses.
- $26,876 remaining cash value.
- <u>$162,237 </u>remaining death benefit above cash value.

- **$932,571 total value to their family.**
- They only put in $40,000 in initial premiums, plus $136,187 of ongoing base premiums incorporated into their car loan payments.

Let's pay off debts through your Private Family Bank™

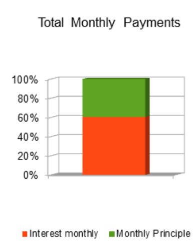
Here's the result of an actual debt elimination case study:

- **$247,677 total debt**, including credit cards, medical, department stores, car, and home mortgage (20 years left).
- **Everything is paid off in just over 9 years, saving more than $100,000 in interest to banks.**
- At that time there will still be **$23,011 in their Private Family Bank™**.
- 5 years later their bank will have built up to **$100,328 cash value** and their loved ones' bank will be at **$185,149!**
- If the husband dies before the debt payoff plan is completed, **their PFB "love ones' bank" pays everything off immediately!**

I've spent nearly a quarter century teaching people why and how to pay off all their debts, so this is right up my alley. The only difference in the way debt elimination is handled through your bank compared to doing it outside a Private Family Bank™ is that you'll need to prime your bank with capital before starting the debt-elimination process. That can be done with a lump sum first year premium or a year's worth of monthly or quarterly premiums. This priming allows interest and dividends in your bank to begin creating the growing wealth curve shown in the car-buying example above.

Let's look under the hood on our debt elimination example. Here are the debts.

Debt Name	Debt Amount	Interest Rate	Monthly Payment	Years until paid off	Interest monthly
Target Card	$400	22.00%	$25	1.75	$7
Dental	$1,000	22.98%	$40	3.15	$19
Weisfield	$2,316	24.99%	$275	0.86	$48
Ashley's	$2,769		$65	3.55	
Care Credit	$3,003	26.99%	$101	4.62	$68
Care Credit II	$5,000	26.99%	$150	5.80	$112
Bank Card	$5,427	26.00%	$148	6.85	$118
Car Loan	$7,279	12.00%	$308	2.38	$73
House Mortgage	$220,483	6.88%	$1,718	19.98	$1,263
Policy Loan Rate	5.00%	Total	$2,830	Total	$1,708
Monthly Savings	$500	Monthly Principle	$1,122		
Existing Funds	$16,000				



See the red section of the bar graph on the right? That's the portion of their total monthly payments that is lost to interest. More than half! But that means that this is the amount the family can gradually recapture and reroute back into their Private Family Bank™. Below is a spreadsheet showing, year by year, how this process unfolds.

Year	Policy Premium	Savings Applied to Premium	Policy Loan Applied to Debt	Annual Recaptured Debt Payments	Target Card Bal. $400 Pmt. $25 Int. 22%	Dental Bal. $1000 Pmt. $40 Int. 22.98%	Weisfield Bal. $2316.11 Pmt. $275 Int. 24.99%	Ashley's Bal. $2768.94 Pmt. $65 Int. 0%	Care Credit Bal. $3003 Pmt. $101 Int. 26.99%	Care Credit II Bal. $5000 Pmt. $150 Int. 26.99%	Bank Card Bal. $5426.96 Pmt. $148 Int. 26%	Car Loan Bal. $7279.36 Pmt. $308 Int. 12%	House Mortgage Bal. $220482.56 Pmt. $1718.45 Int. 6.875%	Death Benefit	Net Cash in Policy
1	$16,000	$16,000	$11,837	$6,072						$2,561	$5,397	$7,044	$220,027	$206,662	$6,559
2	$6,000	$6,000	$10,225	$12,829								$205	$214,356	$214,417	$13,431
3	$6,000	$6,000	$16,970	$13,344									$191,216	$222,186	$14,058
4	$6,000	$6,000	$17,473	$13,344									$165,928	$229,972	$14,174
5	$6,000	$6,000	$17,450	$13,344									$138,868	$237,783	$14,295
6	$6,000	$6,000	$17,414	$13,344									$109,924	$245,631	$14,425
7	$6,000	$6,000	$17,368	$13,344									$78,973	$253,512	$14,554
8	$6,000	$6,000	$17,309	$13,344									$45,884	$261,442	$14,693
9	$5,388	$5,388	$17,250	$21,519									$10,507	$144,425	$23,011
10	$5,388	$5,388		$33,965										$152,467	$62,284
11	$5,388	$5,388		$33,965										$160,556	$75,873
12	$5,388	$5,388		$33,965										$168,698	$83,710
13	$5,388	$5,388		$33,965										$176,891	$91,858
14	$5,388	$5,388		$33,965										$185,149	$100,328
15	$5,388	$5,388		$33,965										$193,486	$109,123
16	$5,388	$5,388		$33,965										$201,915	$118,234
17	$5,388	$5,388		$33,965										$210,452	$127,651
18	$5,388	$5,388		$33,965										$219,084	$137,381
19	$5,388	$5,388		$33,965										$227,816	$147,432
20	$5,388	$5,388		$33,965										$236,651	$157,816
21	$5,388	$5,388		$33,965										$245,612	$168,415
22	$5,388	$5,388		$33,965										$254,718	$179,341
23	$5,388	$5,388		$33,965										$263,997	$190,589
24	$5,388	$5,388		$33,965										$273,465	$202,157
25	$5,388	$5,388		$33,965										$283,138	$214,053
26	$5,388	$5,388		$33,965										$293,014	$226,276
27	$5,388	$5,388		$33,965										$303,084	$238,850
28	$5,388	$5,388		$33,965										$313,342	$251,787
29	$5,388	$5,388		$33,965										$323,785	$265,096
30	$5,388	$5,388		$33,965										$334,406	$278,788

The first 5½ debts are eliminated with year one's premium, which included $10,000 from savings.

Year 2

Years 3-9

Don't be blinded by the spreadsheet. If you look across year 1 from left to right, you'll see where the first $6,000 annual premium was paid, along with a $10,000 lump sum from savings. In the next column you'll see the first loan of $11,837. This loan is used to pay off all of 5 debts and about half of a sixth, recapturing $6,072 in annual payments on those debts which can then be used to make payments on this initial policy loan. From that point the normal $6,000 annual premiums ($500/month) are paid and subsequent loans, shown down column 4, are taken to pay off the remaining debts. The last 7 years of loans are used to finish off the mortgage. Each time a debt is paid off its recaptured monthly payment adds to the monthly amount paying off remaining policy loan balances. In my debt elimination programs I call that money your growing *Accelerator Margin*. It accelerates loan payoff.

It may take a year to capitalize your bank, but from then on you'll be building wealth as you pay off your debts. Your Private Family Banking™ representative will be happy to work out a plan with your specific numbers. Paying off your debts through your Private Family Bank™ allows you to achieve complete debt freedom **and build cash in your bank at the same time…using the same dollars!**

How can I say that? Well, do you remember on page 56 where I showed that the money you put into your Private Family Bank™ never leaves it, even when you take out loans against it? The full amount stays in your bank earning interest and dividends. So, even if you take a loan against that money and gradually pay it back, the full amount is always in your cash value earning interest and dividends. It's like getting double use of the same money. It's building your savings *and* paying off your debts!

So it should be clear by now that a Private Family Bank™ is an investment in itself, or it can be supercharged when you use it as a bank to finance purchases or to pay off past purchases. That financing function of your bank could also include investing.

Let's invest *through* your PFB

If you invest in real estate or any other investment, where will the money come from? It will almost always come from a bank account. So why can't it come from your Private Family Bank™? It can.

The below spreadsheet shows a real investment where the amount invested is $100,000. It's a loan to a business building a bakery, and they promise to pay it back over 7 years (84 months) at an annual interest rate of 12%. So they will make 84 monthly payments of $1,765, totaling $148,283. Not bad. $48,283 profit! Whoops…isn't that the taxman over there. Yep, and he wants 20% of your gain, reducing it to $38,626. But that's still a 39% return on investment.

If we don't have a Private Family Banking™ policy, we pulled the $100,000 out of savings, losing the interest it was earning, and put it into this investment. Seven years later we have – after taxes – $138,626.

Investment	Number of Monthly Payments	Loan Interest Rate	Monthly Payments	Total Re-Payment	Gain After Taxes	Percent Gain	Tax Rate
$100,000	84	12.00%	$1,765	$148,283	$38,626	39%	20%
Using Policy		Policy Loan Rate	Monthly Re-Payments	Total Re-Paid to Policy			
$100,000	84	5.00%	$1,413	$118,725			
		Extra Interest	Monthly Taxable Gain	Total Taxable Gain			
		7.00%	$352	$29,558			
Starting Cash Value of Policy	Number of Months Invested	Earnings Rate of Policy	After Tax Gain Added Monthly	Future Cash Value of Cash Policy	Percent Gain	Advantage of Policy	
$100,000	84	5.00%	$282	$170,047	70%	81%	

But look what happens if we use money from our Private Family Bank™. The insurance company only charges us 5% interest, while the investment is paying us 12%. As I said earlier, this is one of those opportunities to overpay interest to stuff money into your cash value. So, instead of just paying the $1,413 monthly payment to the insurance company, you will overpay the interest and use the extra money to build your cash value. The investment pays you $1,765, but the insurance company only charges you $1,413. That leaves an extra $352 a month! Whoops isn't that the taxman again? Yep. He wants $70 a month from the $352 monthly profit, leaving $282. So you overpay your monthly payments to the insurance company by $282, and that gets added into your cash value each month and starts earning 5% annual interest.

But wait! Remember that the $100,000 never really left your cash value, so it's still in there earning 5% as well. The result is that, over those same 84 months, your cash value will grow to $170,047! **That's a $70,047 gain, which is 70%, and it's**

completely tax free! That sure beats the 39% after-tax return from the investment itself, and you'd really have to reduce that 39% return by the interest rate you lost when you took the money out of the tradition bank to invest it.

Whatever you're financing, it works better through your Private Family Bank™.

Chapter 4 – Let's build a wealth system

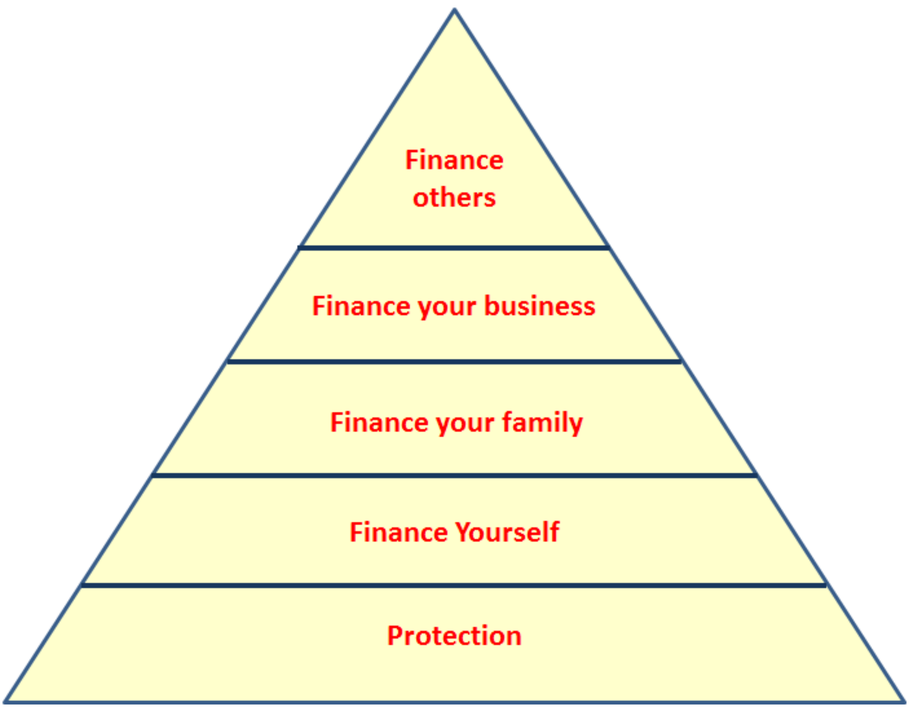
It should be clear by this point that we're not talking about life insurance as most people think of it. I should say, "…as most *less-than-wealthy* people think of it." You see, the wealthy use these techniques all the time. They understand the incredible power of stacking returns like we just did in the previous investment example, and they really understand the power of having their wealth reside and grow, tax free, in one of the safest repositories on the planet – a whole life insurance policy.

When we use life insurance contracts the way the wealthy use them, we're building a living financing system instead of just a death benefit with a little savings component. Plus we're building a bank for our loved ones, or our business partners, with a death benefit that ends up being essentially a free bonus after a few years! When used in a business, the Private Family Bank™ financing facility can be a powerful growth engine and capital reserve.

We get some of these benefits the moment we pay our first premium. Others take a while to build up, but then they become dynamos of wealth creation; wealth that resides safely and tax free in an account that is protected from legal assault and judgments. As it grows, it becomes a system for building wealth. Let's look at developing a wealth system using a Private Family Bank™.

We'll start at the base of our wealth-building pyramid below. From the moment your policy is effective, even if you've only paid one monthly premium, your family has the protection of the full death benefit. The insurance company immediately guarantees the full value of your loved ones' bank. Your estate has instantly grown by tens of thousands, hundreds of thousands, or more dollars! You realize an immediate and significant gain, and as long as premiums are paid a death benefit **will be paid** to your beneficiary. It is not "maybe" money. That's why I call it your loved ones' bank.

Once you've built your policy's cash value up a bit – capitalized your bank – you can begin using it to finance your lifetime purchases the same way you've been using someone else's bank. Depending on the size of your premiums it may take a while to build up to where you can buy a car, but you can definitely get there. You'll be able to finance vacations, home remodels, and perhaps even your mortgage.



After your bank has grown larger, you can consider financing other family members. This might be in the form of student loans, car loans, business loans…whatever you decide. After all, it's your bank. You can also use your financing capability to start or grow a business of your own.

Here's an example of a business with some typical debts. There's a credit card, a business vehicle, some inventory, and a forklift. Let's see how a Private Family Bank™ could be used to grow the business and build wealth at the same time. Just like with Tom and Mary's car buying bank, we'll capitalize this bank at $10,000 a year over 4 years.

The first year $6,000 is borrowed from our bank to pay off the credit card debt. The $500 monthly payment is then redirected into our bank instead of to the credit card bank. In year 2 we borrow $14,500 from the bank, which is possible because we paid another $10,000 premium plus paid back the $6,000 we borrowed to pay off the credit card. We start paying the $500 car payment to our bank. In year 3 we pay off $21,000 worth of inventory with a loan from our bank made possible by that year's $10,000 premium plus $12,000 in repayments on the car and credit card loans. Finally in year 4 we borrow $31,100 to pay off our forklift. They money is there because of year four's $10,000 premium plus the $21,600 paid back on the credit card, car, and inventory loans.

At that point we have invested $40,000 in premiums, but have taken $72,600 out of our Private Family Bank™! And every dollar we've run through our bank is still in our bank earning interest and dividends.

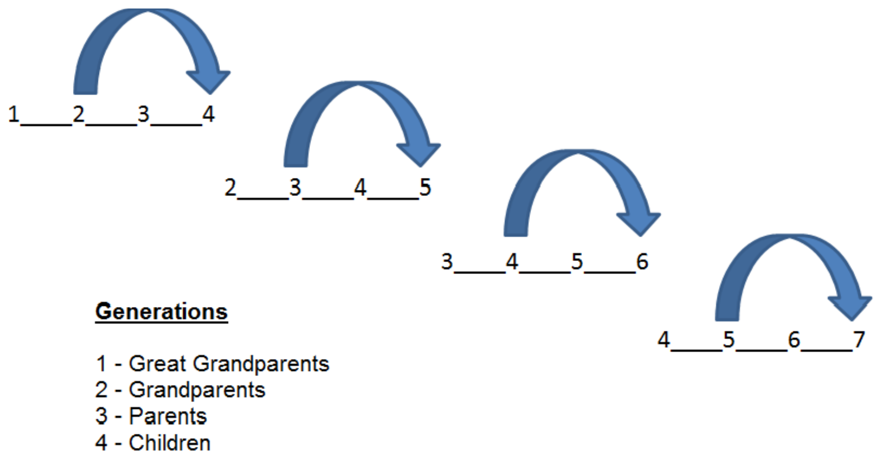
Lois and I have used our bank to finance repairs and improvements to rental homes we own. Our real estate LLC makes tax-deductible payments back to me and I make tax-deductible payments back to my Private Family Bank™. The net result is that the interest payments made by our LLC reduce its profit, thereby reducing our taxes; and the whole time the money is growing in our bank tax free. So it's a win-win.

The highest use of a Private Family Bank™, if you choose to do so, is to finance others. You lend money to whomever you choose, for whatever purpose you choose, is up to you. It's your bank. You decide who deserves to pay you interest!

Now let's make your wealth system *permanent*

So far we've seen how your Private Family Bank™ can be used to finance your life and even become a wealth-building system for you. But it becomes truly "Permanent" when you make it generational like Mayer Rothschild did.

Rothschild was born in 1744 in Frankfurt, Germany. He developed a family bank and spread his empire by installing each of his five sons in the five main European financial centers to conduct business. The Rothschild coat of arms contains a clenched fist with five arrows symbolizing the five dynasties established by the five sons of Mayer Rothschild, in a reference to Psalm 127: "Like arrows in the hands of a warrior, so are the children of one's youth." Mayer didn't just give his arrows – his sons – money when he passed on. He gave them a wealth system…a banking wealth system. You can do the same thing with Private Family Banks™.



In this system the great grandparents (generation 1) are already living out their lives on the cash value in their Private Family Banks™. The grandparents (generation 2), however, are creating their legacy by capitalizing banks for their grandchildren (generation 4). These banks can be used to provide student loans, car loans, or whatever might be useful and worthy. The important point is that the grandparents aren't just giving their grandkids money. They're giving them a wealth system. The grandparent owns the policy and controls the bank up to the point where they feel the grandchild is mature enough to run the bank him- or herself, at which point ownership can be transferred to the grandchild. This way they get money (the policy's cash value) and a system to multiply it.

When generation 2 passes on, their bank is liquidated and the proceeds are passed to generation 3, who use the proceeds to build their own banks and to capitalize banks for generation 5. When generation 3 passes on, their assets move to generation 4, who capitalize banks for generation 6, and so it continues on, with the amounts growing with each succeeding generation.

It worked pretty well for the Rothschilds. Their family wealth is now estimated at between $1 and $100 Trillion! No one knows for sure because their wealth is private and global.

Chapter 5 – Why wouldn't I do this?

About this time a part of your mind should be asking this question. I mean, you get an immediate and dramatic increase in your estate (death benefit – your loved ones' bank); you get a safer and I'll argue more consistently productive investment than stocks or bonds; you get hassle-free financing of the things you need and want; and once you put it in your bank, your money should be **forever tax free** to you and your heirs.

Indeed…why wouldn't you do this? I don't see a downside. But there are some subconscious and even conscious roadblocks for some of us because of our traditional view of this financial platform. So let me deal with those.

It's "death insurance"

You may view life insurance as "Death" insurance. My father sure did. I can remember him saying, "I hate paying for something where I have to die to win!" Dad was looking at life insurance as death insurance. He saw it as a cost in *his* life so there could be a later gain in *our* lives once he was gone. But that is not what we're talking about here. We are using a life insurance contract, but life insurance is not its primary function. We are designing the policy to maximize its financing capabilities and we get the death benefit as a bonus.

Your financial advisors

Your insurance agent or accountant has likely never learned about using participating whole life designed as a **living financial system** rather than as death insurance. The insurance and accounting professions are plenty complicated in their normal course of business without turning one of their familiar boxes inside out. So, if you've never heard of this concept from your insurance and tax advisors, it's probably because they've never heard of it either. It could also be because they've heard misinformation from competitive businesses that don't really want this idea to get serious traction. Of course, more than 100,000 of these policies are reportedly already in effect, so it may be too late for that one.

Here's another big reason they may be silent about this kind of policy. If I were to engineer a Private Family Bank™ policy for you, I'd be intentionally reducing my commission 50% to 70% compared to an off-the-shelf whole life policy with the same premium amount. I and my Private Family Banking™ associates are willing to take that cut because we're that committed to giving you the tools you need to actually win the game. Most insurance professionals either don't want to or can't afford to cut their income in half or more. So the idea is dead on arrival for them. What most of them don't realize is that this kind of insurance gets the agent a lot more referrals than the kind they sell does.

As for accountants and tax preparers, consider whether they would like your financial world to become "tax free." As an industry, they need things to be taxable and deductible so they can manipulate the numbers and "save you money." So you won't hear either industry trumpeting an idea that reduces their members' potential incomes. They're not bad people; they just have interests that don't always coincide with your interests.

“I don’t have the extra money”

Another emotional roadblock may be that you’re struggling to think of where you’d get the “extra” money to do this with. Well, it doesn’t need to be extra.

The first phase of operating your Private Family Bank™ is using it as a savings account, so look for money you’re saving now. Are you currently funding a qualified retirement account, savings account, CD, or similar vehicle? Think about redirecting that money stream into premium to capitalize your bank. Are you overpaying any debt payments to accelerate their payoff? Consider redirecting that money into your bank policy’s premiums. These are money streams that are already going toward improving your future finances, so redirecting them won’t impact your daily lifestyle or cash flow.

Of course, we can all become a bit more disciplined in where our money goes in a typical month. My experience has been that most people have a lot of monthly cash flow just leaking out of their lives in the form of periodic indulgences. Many of these expenditures won’t stand up to scrutiny, so scrutinize them to see if they really are more important to you than achieving financial independence. Use the *Premium Finder Form* in the appendix.

Another quick tool to help find unnecessary expenditures is my CIA tool. No, it’s not about spies or the government. CIA stands for Convenience, Indulgence, and Appearance. These three areas are the biggest money-wasters in most people lives. Watch out for them.

I’m not sure I’d pass the physical

We are talking about life insurance, so the physical condition of the insured is a factor. Let's look at that.

The medical requirements for an insurance company to approve a policy application are probably not as strict as some people think, but there are standards. Insurance companies employ people to determine the risk of insuring a person's life. These underwriters, as they're called, look at the information provided by the applicant on the application, they check a national medical database called the Medical Information Bureau, they may request medical records from the proposed insured's physician, and they will likely – at insurance company expense – have a paramedic or doctor give the proposed insured an in-home medical exam.

Based on this information, the underwriter may conclude the proposed insured is a better than average risk, and thereby offer them *preferred* death benefit. Most people, even many on medications, are determined to be *standard* risks and offered a standard death benefit. Some, based on their medical history are found to be *substandard* risks, and they are offered a policy with a reduced death benefit. The 4th category includes those people who are determined to be too high a risk for the insurance company and they are declined. Being declined would be the end of the process…if the goal is to get a death benefit on a certain person's life. But we're talking about building and using a bank. Whose life is insured by the policy may be a less critical issue.

In addition to the insurance company, there are 3 parties to a life insurance contract: the policy owner, the insured, and the beneficiary. The policy owner and the insured do not have to be the same person. The owner of the policy controls the cash value. It's their bank. It doesn't matter whether the owner is also the insured. The insured is the person on whose life the insurance company is taking the risk. A potential policy owner can take out a policy on their own life or on the life of anyone in whom they have an "insurable interest."

According to the Society of Actuaries, there 2 ways to have an insurable interest in the context of a life insurance policy:

- An interest based upon a reasonable expectation of pecuniary (financial) advantage through the continued life, health and bodily safety of another person, and, consequently, loss by reason of their death or disability. This can include the life of an income provider to a household or a key employee in a business.
- A substantial interest engendered by love and affection if closely related by blood or by law.

What this means, in the context of building a Private Family Bank™, is that if your health doesn't pass the muster for insuring your own life, you can take out a policy – which you own and control – that insures the life of someone in which you have an insurable interest. That could be anyone from a spouse, to a child, to a business partner or key employee.

OK, there's one more potential tripping hazard on your way to your own Private Family Bank™. Maybe your subconscious has the objection that you were taught to…

"Buy term and invest the difference"

Popularized by A.L. Williams in the 1970's, the fact that you can buy more death benefit per premium dollar with term insurance became a mantra to a generation of financial advisors and insurance agents. It seemed to make so much sense. Why not buy $150,000 worth of term insurance for a similar premium to what would only buy $15,000 worth of whole life insurance? But this simple comparison doesn't tell the whole story. Let's look at it a different way. We'll compare two $500,000 policies: one a basic, off-the-shelf whole life contract, the other a term policy.

We'll start with the difference in purpose between the 2 types of policies. Whole life is insurance for your *whole life*…until you die…so it's designed by the insurance company with the knowledge that it is much more likely to be held until the death benefit is paid to a beneficiary. Term insurance, on the other hand, is designed to be used for a period of time – a term – but not all the way to death. So it's much less likely that a death benefit will be paid. In fact, less than 2% of term life insurance policies ever pay a death benefit. The main reason for this is that term insurance premiums get larger as the insured ages, because they are getting closer to death and therefore present a greater risk to the insurance company. At some point premiums become unsustainably expensive, and the policy is dropped.

Another fundamental difference with whole life is that, while some of your premium is going to pay for the death benefit, a significant portion is simultaneously going to build your cash value, which is your money to use as you see fit. Your term insurance premium is just renting a death benefit that the insurance company is 98% sure you'll never claim. No cash builds for you in a term policy. No equity of any kind is building for you.

My dad was right about term insurance: "You have to die to win."

OK, let's get to the numbers to see how significant these differences turn out to be. We'll go across the rows in the below table, and it certainly starts out looking like term insurance is the clear winner. In this example, you'll pay nearly $8,000 in annual premiums for a $500,000 whole life policy, but under $1,000 for the same half million dollar death benefit in a term policy. Since the term policy is for a term of time – 20 years in this case – we'll use that time frame for our comparison.

Policy parameters	Basic Whole Life insurance	20 year Term Life insurance
Premium paid per year	$7,970	$980
Total premiums after 20 yrs.	$159,400	$19,600
Policy cash value	$179,920	$0
Death benefit age 65 (20yr)	$537,556	$500,000
Death benefit age 66	$537,556	$0

Moving down to the next row we see that, over the 2 decades we'll pay almost $160,000 in whole life premiums but less than $20,000 in term premiums. Term wins again. But wait! Drop down to the next row and we find that our whole life policy has built up nearly $180,000 in cash value, whereas the term policy has accumulated $0. We only paid $160,000 in premiums, so our whole life policy has generated $20,000 in profits, which is more than the term policy costs over 20 years, so – in effect – the death benefit was free in the whole life policy. It was paid for by the interest and dividends generated inside the account.

Go down another line and we find that, not only has the cash built up inside the whole life policy, but the death benefit has grown as well. This is another $37,556 advantage over the term policy.

Finally, the bottom row shows that the day after the end of the term policy's 20th year (66th birthday in this example) the whole life policy is still guaranteeing a $537,556 death benefit, but the term policy death benefit has evaporated. Of course, the term insurance buyer could go back to their insurance company and ask for a new term policy to start up at age 66, but the premium could be over $20,000 a year! That's more in 1 year than the expiring term policy cost for 2 decades. Why? Because at age 66 the insured is much closer to death, so the number of years the insurance company is likely to be able to collect premiums is fewer than the 20 years of the previous policy. Plus, anyone willing to pay these premiums is much more likely planning to keep the policy until it pays a death benefit, increasing the risk way above 2% for the insurance company.

Remember, this comparison is between a term policy and a *standard, cookie-cutter whole life policy*. By comparison, a whole life contract specifically engineered to be a Private Family Bank™ would generate multiple times greater cash value build-up. The above table was simply to show you that even a standard whole life policy provides much greater overall value than a term policy.

But what about the "invest the difference" part?

The value claim of "Buy term and invest the difference" is based on actually investing the difference. The fact is that most people don't invest the difference. They spend the difference. Plus, even if they do invest the difference, what do they invest it in? They'll probably put it in the stock market. I hope I've shown how undependable that can be.

Just honestly ask yourself, would you likely invest the difference with consistency? And, if you did invest the difference, where would you likely invest it? Would it go into mutual funds that invest in stocks? If you had invested $10,000 in the U.S. stock market (S&P 500) in the first week of January 2003, by the first week of January 2013 it would've been worth $15,810; but that $5,810 gain is taxable. At the 20% capital gains tax rate (just counting federal) that gain would be reduced to $4,648, so you'd have $14,648 after taxes. On the other hand, **$10,000 in your Private Family Bank™ cash value over those 10 years would have grown to $16,289…and it would be protected from taxes.**

Your Private Family Bank™ would have outperformed the stock market by $1,641 and that's if you had left the money in the stock market during the whole decade. If, on the other hand, you were like average investors who realize just 3.83% ROI from the stock market, your after-tax gain would be $3,211, meaning **your Private Family Bank™ gain would give you a real-world advantage of 96% over the stock market!**

And the interest rate paid inside your Private Family Bank™ tracks with market interest rates, so if inflation comes back, the money in your bank will progressively earn higher interest.

Summary

The advantages of building your own Private Family Bank™ include:

- You realize **an immediate gain** to the estate you will pass on to your loved ones (policy death benefit). I call this your loved ones' bank.
- You establish **a regular savings regime** that forces you to be more consistent than you would likely be on your own.
- You can enjoy **greater wealth-building gains** than you likely would in the real-world stock or bond markets, **with dramatically reduced risk.**
- You can **build your wealth tax free**.
- You can **use your wealth tax free**.
- You can **recover the 34.5%,** or whatever your percentage is, of your after-tax income that you're losing to interest costs.
- You can enjoy all that **recaptured interest earning interest** itself.
- Your **bills can actually earn interest** instead of just costing you money.
- You can **reduce your taxes** and your heirs' taxes.
- You can **pay off** your cars, home, student loans, credit cards, and other debts while simultaneously building retirement wealth…**using the same dollars**.
- You can **eliminate contribution and withdrawal restrictions** of qualified retirement plans.
- You can **enjoy unrestricted liquidity, control, and use** of your money for any reason.

- You can **protect your wealth** from creditors, judgments, and law suits.
- You can be assured **your wealth plan would succeed** even you are disabled.
- You can be assured **your wealth plan would succeed** even if you die before you complete it.
- You can **pass your wealth on** to your heirs **tax free**.

But let's look at this from the other side. Let's summarize what you will lose if you don't start your own Private Family Bank™:

- You **won't** realize **an immediate gain** to the estate you will pass on to your loved ones.
- You **won't likely** establish **a regular savings regime** that forces you to be more consistent than you would likely be on your own.
- You **won't** enjoy **greater wealth-building gains** than you likely would in the real-world stock or bond markets, and you'll experience dramatically **higher risk**.
- You **won't build your wealth tax free**.
- You **won't** be able to **use your wealth tax free**.
- You **won't recover the 34.5%,** or whatever your percentage is, of your after-tax income that you're losing to interest costs.
- You **won't** enjoy all that **recaptured interest earning interest** itself.
- Your **bills won't actually earn interest** instead of just costing you money.
- You **won't reduce your taxes** and your heirs' taxes.

- You **won't pay off** your cars, home, student loans, credit cards, and other debts while simultaneously building retirement wealth…**using the same dollars**.
- You **won't eliminate contribution and withdrawal restrictions** of qualified retirement plans.
- You **won't enjoy unrestricted liquidity, control, and use** of your money for any reason.
- You **won't protect your wealth** from creditors, judgments, and law suits.
- You **won't** be assured **your wealth plan would succeed** even you are disabled.
- You **won't** be assured **your wealth plan would succeed** even if you die before you complete it.
- You **won't** likely **pass all your wealth on** to your heirs **tax free**.

Your current investment choices are:

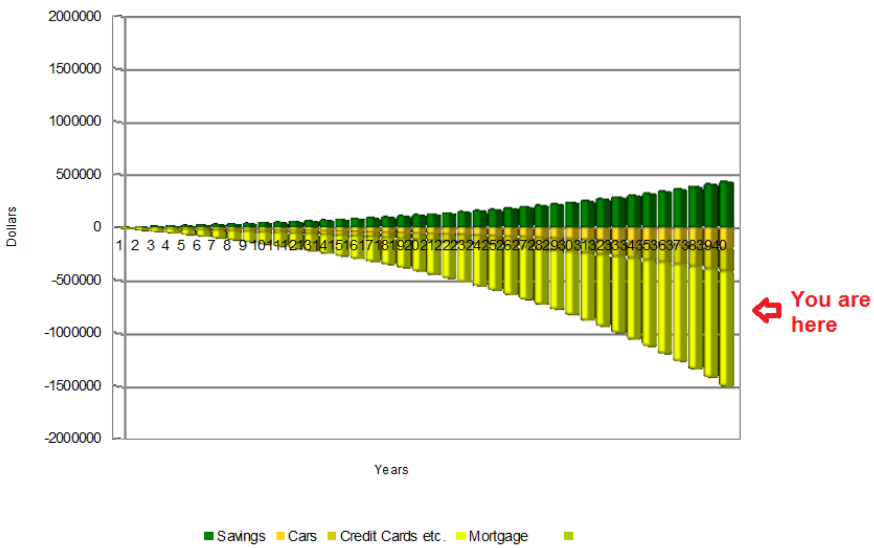
- Bank savings, money market, or interest checking account ≈½%
- CD ≈ 1%
- U.S. Treasury notes and bonds: 1 yr. ≈ .15%, 5 yr. ≈ .88%, 10 yr. ≈ 2.04%
- Stock Market ≈ 3.83%

If you're good with all that, there's nothing more I can say. If you're willing to end up with less, and expose what you do end up with to the vagaries of markets and federal/state governments, I have nothing to offer you…except to share the immortal words of Sponge Bob Square Pants: "Good luck with that."

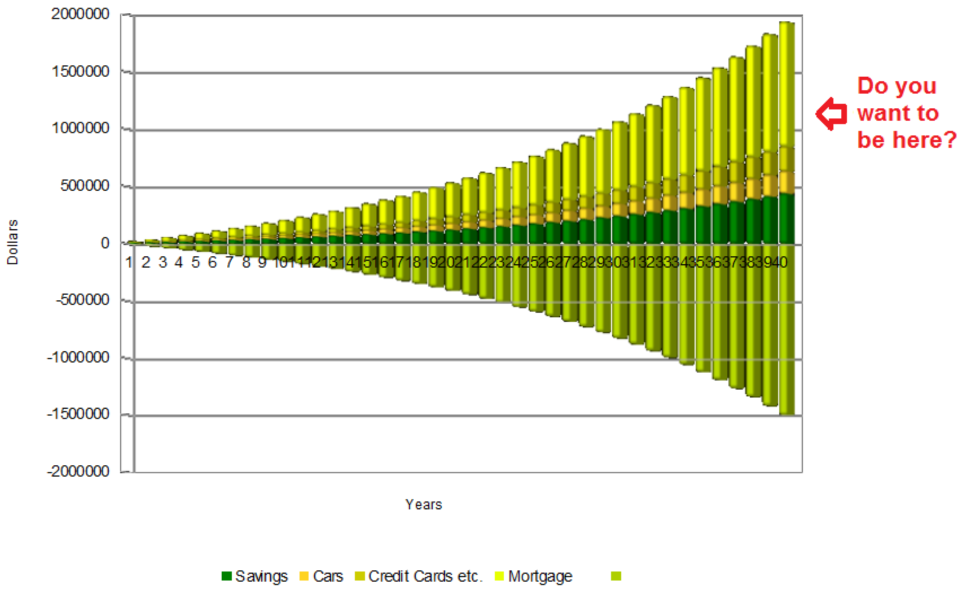
If, on the other hand, you're as uncomfortable with the last couple decades as I am, you need to talk to your Private Family Banking™ representative. If you're as queasy about the next couple decades as I am, you definitely need to call them. Why?

- My Private Family Bank™ ≈ 5%
- Investing *through* my Private Family Bank™ > 5%

Have you had enough of this?



Are you ready to start this?



That’s what I thought.

How do you get started?

The first thing you must do at this point is to remind yourself of your *why*. If you recall in the Introduction to this book I explained your *why* as the answer to the question, "*Why* would I undertake the disciplines necessary to achieve this or any other financial game plan?" Your *why* is your overarching, gut-level, emotional purpose for making and saving more money, both in the short and long term. So what are the factors that make up your *why*?

If you're like most people, your *why* is actually a *who*, or a number of *who's*. Your *why* is likely based on your desire to build financial security and peace of mind for those you care about most, including yourself. As you think about the 2 banks a Private Family Bank™ policy would create – the cash value for you and your loved ones now and the death benefit for your loved ones later – try to feel what providing these banks would mean to you and them. That feeling is your *why*.

Once you're in touch with your *why*, there may still be questions about how a policy can be designed for your unique circumstances. Your Private Family Banking™ Partner will be happy to have that discussion with you and answer those questions. Just call or email them to get the conversation started. Their contact information should be on the last page or on a business card attached to this book.

If no contact information is with this book, go to www.privatefamilybanking.com and select the Private Family Banking™ Partner of your choice. No one will push you into anything, but here's our commitment if you give us the opportunity.

We'll customize a policy to maximize your money's:

- Guaranteed growth
- Tax-free growth
- Liquidity
- Safety
- Control
- Privacy
- Self-financing capability
- Protection from taxes
- Protection from judgments (lawsuits)
    - Tax-free distribution to your beneficiaries

We'll coach you on how to:

- Build your Private Family Bank™
- Find the money to capitalize your bank.
- **Use your bank. Our online and live trainings will cover subjects like:**
    - Buying cars and making other purchases through your bank
    - Paying off your debts
    - Investing through your bank
    - Funding vacations
    - Funding college
    - Funding your business
    - Building a generational system of PFBs

PS – if you're an insurance agent (or would like to be) and might like to join our intrepid team, just call or email your Private Family Banking™ Partner.

Appendix

PFB Premium Finder Form

STEP ONE: Total Household Income

Income Source	Earner A	Earner B
Salary (net, take-home pay)	$	$
Part-time or self-employment income	$	$
Home-based business income	$	$
Investment Income	$	$
Social Security	$	$
Pension	$	$
Veteran's Benefits	$	$
Other	$	$
Individual totals:	$	$
Total Income Earner A + Earner B =	$	

STEP TWO: Reducing Your Monthly Expenses.

List all your current monthly expenses in the **Current** column below. In the **Reduced** column write in the lowest amount you can reasonably spend on each expense item.

Total up all **Reduced** amounts at the bottom of column 3, then subtract that amount from your **Total Income** above. The resulting number is your maximum possible starting Private Family Bank™ Premium. If you feel you need to use a lower Premium amount to give yourself some breathing room each month, that's your decision. It will just take you a little longer to capitalize your Private Family Bank™.

Monthly Expenses	Current	Reduced
Retirement plan contributions		
Other savings		
Going out for lunch at work		
Dining out (other than work lunches)		
Groceries		

Telephone (including cell)		
Heating fuel		
Water/Sewer		
Electricity		
Car costs (fuel and maintenance)		
Parking, tolls, etc.		
Car #1 payment		
Car #2 payment		
Insurance – Automobile		
Insurance – Health		
Insurance – Home		
Insurance – Life		
Insurance – Other		
Home equity loan payment		
Other loan payment		

Child care		
Cable or Satellite TV		
Movies out and video rentals		
Other entertainment		
Sports (golf, fishing, etc.)		
Health Club		
Lawn Maintenance		
Laundry		
Pet food and care		
Subscriptions		
Online computer services		
Credit card payment		
Credit card payment		
Credit card payment		
Total Reduced Monthly Expenses =		
Total Income – Total Reduced Monthly Expenses = Your Available Premium ➡		

Private Family Banking™
Policy Customization Questions

Name of Insured: ____

Name of Policy Owner: ____________________________________

Best Phone #:_______________________________

Email Address:______________________________

Insured's Age at next birthday: _____________ Insured's Gender: M / F

Insured's Health: □ Generally good □ Some issues □ Challenged

Medical conditions and meds:

____

____

What's your #1 short-term financial goal? ________________________

____

What's your #1 long-term financial goal? __________________________

____

What's your greatest financial concern? ___________________________

____

How much money (monthly/quarterly/annually) do you feel comfortable committing to the program? $___________/______ (see accompanying Premium Finder Form)

Do you have any amounts already in other accounts or life insurance policies you could transfer to your PFB policy to help capitalize it? You'd essentially be repositioning it from one account you own to another account you own. $______________________________

The Application Process:

- We will design one or more proposed policies for you and then set up appointment to review them with you.
- Once you've selected the design for your Private Family Bank™, we will send it to our company underwriting specialists, and they will call to take your application and schedule the in-home medical exam. (no cost to you)
- They will then send you signature pages for the application.
- When you return the signed pages to us, we will forward the application to the insurance company underwriters who will gather any additional info they need, such as records from your doctor.
- The underwriters will then determine your premium rate and, if all is well, offer a contract.
- The whole process takes 30-45 days.

Private Family Banking™ Partner's name and contact info:

John Cummuta
john@johncummuta.com
602-620-0832