Dollars and Nonsense

Transcripts for Episode 4: Breakaway and Become Your Own Banker

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Breakaway and Become Your Own Banker

N: In this episode, we’ll discuss how you can become your own banker so that you can take back the money the banks have been making off you and make it grow just like they do. She’s Holly, and she helps people find financial freedom.

H: He’s Nate, and he makes sense out of your dollars. This is Dollars and Nonsense. If you follow the herd, you will be slaughtered. Episode 4.

N: So today we’re going to talk about something that we both love and hold near and dear. And that is what’s known as the infinite banking concept. And this concept is all about how to start making money just like the banks do. And one of the questions I had at the very beginning was, for the listeners out there, how are the banks—we’re pretty clear that banks make a lot of money. We see them in the nicest buildings. They pay their staff really well. Banking jobs are always top notch. Clearly they’re making a lot of money, but I don’t know if all of us are aware of how they are making money off of us. Or in some of the more detailed ways at least. We know the easiest ways. But, Holly, what are some of the ways that banks are making money off of us in the population?

H: For every dollar that is deposited into the bank, they can loan out that money. And they can loan out more than what you deposit. So deposits are a big way for banks to make money through loans. They also make money through any fees that they charge individuals. And those are astronomical at times as well that they
can make money off that. And they make money simply by not having a lot of money available in the bank as well; they want all the money they can use being in motion. Basically when you go into the bank and you make a deposit in the bank, do you think they just sit there and say let that money sit there and collect dust and don't do anything with it. They've got to use it. Wouldn't you agree?

N: Oh yeah. If they had money sitting, they’re going to go out of business really soon. They keep money in motion, you’re exactly right. And that’s true, most people really do understand that we’ve all gotten car loans, and mortgages, maybe had some credit card debt, we borrowed money to start a business, all these different things we've done, student loans, and things like that that we know that we paid the bank interest when we used their money. And it’s really obvious to see that the banks make money off that. But what we don’t normally see is how much money they make off of our deposits, as you said. It’s two-fold. Not only are they making money when we borrow from them, but every time we deposit money, they’re making money off of us, aren’t they? And that’s a little bit scary.

H: They are. And it’s not just that we’re using their money, often times we’re taking our hard earned dollars, making deposits into the bank, and then we’re being charged to use our own money. So it’s not really the bank’s money that they’re loaning out to you. It’s all the depositor’s money that they’ve put into the bank that the bank is then charging you to use again. So really you’re paying to use your own money.

N: Exactly. And what’s amazing is that you’ll see that we’ll go to make a deposit, we know we’re in a low interest rate period right now, so we’re seeing deposits,
savings money, growing by .1% in just your normal savings account. You’re putting
money in the bank practically for zero. And the bank [is taking] that money and
lending it out to your buddy down the road at 4 or 5% for a mortgage or a car loan
or 12% to the guy who has a credit card with him. You got it? So they’re making
this huge spread. From what they’re paying you to what they’re actually making.
But yet we don’t ever seem to have any of that money deposited in our account.
This is what I liken it to, Holly, it would be like you going out and depositing money
in a 401k. And the 401k manager went out and made a 15% rate of return on your
money, a 20% rate of return on your money, yet you only saw a 1% or 2% or
something like that in your account that actually [it] grew by. And the rest of it was
taken out in fees for the management and the broker and things like that. You
probably wouldn’t stick with them and do business with them for too long. You’d
find some place new to put your money. But we haven't been told of a new place
to bank at. We’ve just been taking it as normal. “Yeah, I deposited the money.
They don’t pay me anything right now. I’ve got some loans with them. I’m paying
them interest, but that’s just the way it is.” We’re here to essentially present a new
idea that doesn’t follow the herd, that you can actually start making money in the
banking world. Without changing much in your lifestyle really at all.

H: Really all you’re going to be doing is changing who the money is going to. And
taking the place of the bank. Because as the bank continues to make money,
when they make that 15%, they make that 20% more than what they’re giving
you, then basically that money goes to shareholders that have bought stock in
the bank. And we, the loyal customers, keep just depositing our money in there,
hoping that if we keep doing that, something different is going to happen. And
really what we do is we work harder, we buy more assets, hoping for a better
outcome, but if we don’t take the place of the bank, then there’s not going to be a
different outcome.

N: You’re exactly right. And I like when you brought up the assets, too. Because we’re not making money in banking, we’re all trying to go find investments to put our money into. So everyone is out there and has almost 100% of their money at risk, and there’s very few people in society today that actually know what their money is doing. They have no control over it. They don’t choose what it’s being invested in. They just handed it over in a 401k or IRA, and they’re hoping that that guy knows what he’s doing. Very often, people are not experiencing very good results there, and so that’s one of the reasons we say the only way you ever lost money is whenever you gave up control of your money. And if you actually learn how to make money by becoming your own banker, you won’t have to give up control of you money, and you’re guaranteed to make money. And the amount of money you make is determined by how you function, not how somebody else does. So it gives us a lot of control. Alright, Holly, so we know that the banks are making quite a bit off us. Whether you’ve got deposits with them, whether you’ve got loans with them; most of us have both, so we’re getting hit on both sides. And I think it’s crazy that people are out there stuffing money away in 401ks, IRAs, where they’re not touching it, hoping it grows, and yet they have student debt, credit card debt, mortgages, car loans, that if they would focus their energies on getting the banks out of their lives and they would just start paying themselves exactly what they’ve been paying banks, they wouldn’t need to be taking all the risks that they’re taking right now. And they would have a lot more control over what’s going on financially, and they could probably sleep a little better at night.
H: Absolutely. And the key here is to ask yourself one question: where do banks put the majority of their money? What are banks doing that is different than what you’re doing? Are they taking all their dollars and depositing it into their own bank? Or are banks doing something a little bit different? Are they buying a certain product that we’ve been told not to buy? Such as mutually funded whole life insurance. What do you think, Nate?

N: Yeah, well we know it to be true that if you ask the question where do banks bank at, they bank in something called BOLI. A lot of our listeners have probably never heard of that term. It’s not very well known. BOLI stands for bank-owned life insurance. Banks have billions of dollars in this [life insurance] … what on earth is a bank doing owning life insurance? That doesn’t seem to compute. Yet we’ve got Bank of America that has over 21 billion dollars in cash values in BOLI. Wells Fargo has 18 billion dollars in cash values. Now, Holly, what on earth are they doing owning this amount of life insurance as a bank?

H: Basically, they’re protecting their dollars, and they’re allowing them to grow at a guaranteed interest rate, and they’re putting them in the safest place possible, which is BOLI or a life insurance company, where the bank gets the profits. And even if the money is in there, they actually can still use that money. Even though 2008 was a bad time in the economy, and the banks supposedly failed, the banks since then have increased what they’ve bought in BOLI by 50%. They doubled that cash value available. And all we’re talking about is cash value. We’re not even talking about what happens if an employee graduated from this earth; it just gives them even more money. But really what they’re doing is taking the life insurance, they’re putting the money in there so that it grows at a guaranteed interest rate, and then they’re able to still actually make a profit.
N: Right, in other words, they’re essentially using the policy as their bank. And that’s exactly what we’re telling you to do. They go out and deposit the money in there. But if you guys don’t know too much, as a listener, about the power of a policy you can actually leverage and borrow against that policy whenever you want, and that’s a tax-free transaction if the policy is designed correctly. And so the banks are getting this tax-free growth inside the policy, but at any point in time they can just go get the money out of it and make a loan to you. And make even more money than what the policy is doing itself. In other words, they are banking in these policies. And they’re buying them out the wazoo for a lot of different reasons, and we’ll probably get into those reasons here in just a moment, but essentially what infinite banking is all about, this concept, is how to start putting your money exactly where the banks put their money and to start using it exactly like the banks are using it. And so that’s what banking is all about and that’s what we’ve been doing for years now, is making money in banking through something exactly like BOLI, that’s available to you and me. And participating whole life insurance. And simply changing the way that we’re using the tool. Of all the life insurance policies written, only about 2% of them have loans against them, which really tells me that everyone’s putting money into these policies, but no one’s using the money. And as we said, banks don’t let money sit. So, Holly, the mission we’re on is to help people start using their money in a more efficient way than they’ve ever been taught.

H: And the key is to understand what Nate said. And what’s essential is that you’re going to put your money into whole life insurance; that’s the product we’re going to use. But really you’re going to be creating your own bank, where you don’t lose control of that money because you are a shareholder. And once that
deposit, otherwise known as a premium, is made into that life insurance policy, you can eventually borrow that money out and use it and it’s still earning a guaranteed interest rate, even though you’ve taken a loan out from the life insurance company. You haven’t taken a loan out from your policy but actually from the life insurance company; that is like saying, “As the shareholder, you can use this money.” And that is how you are going to be able to switch places with the banks. So instead of going to the banks to pay off that credit card debt, you can take it from the life insurance company and pay off the credit card debt and pay yourselves. And that’s the key here. Is that you really have to switch places with the bank and start understanding that every deposit you’re going to make is a deposit into your own personalized bank account. And stop giving the control and power over to the bank to make the loans to you, to be dependent on the bank for your money, and to get you out of trouble.

N: Exactly right. And one of the things you can ask: why is life insurance policy the best place to become your own banker, out of all the different things out there? And, Holly, we could probably go on and on about it, but kind of what we’ve been mentioning—there’s really not much of a difference between a life insurance company and a bank. They’re really in the same business. They need us to go put money into the gig. Then they take our money and they go make loans with it. It’s the same business model. The only difference is at the bank, as we’ve already said Holly, us depositors do not ever receive any of the profits the bank makes. Because we don’t own the bank. If you owned a bank, you probably wouldn’t need us. If you’re already a banker, then you probably don’t need us. But for all of us who are not bankers, we need to find a way to plug in as an owner, not just as a depositor. And whenever you plug into a mutual life insurance company,
you actual plug in as an owner of the company. So at the end of the year, the company goes out and makes profits, where do they send all these profits to?

H: They send it to you the owner because you’ve made an investment in your own bank. You’re the owner, so you receive the benefit of that. Because instead of being a stock company, it’s not; it’s a mutual company, which means the individuals that own the policies receive the benefits, or otherwise known as dividends. And you’re guaranteed an amount of growth inside the policy, and then anything above and beyond that is a bonus to you. So, banks, if they gave you the 1%, and then say, “Hey, on top of that, you got a bonus of 4%,“ we’d be jumping for joy, never realizing, though, that part of that is still taxable. But banks aren’t going to do that because you’re not an owner in the bank. They’re going to give any of that profit—and it’s way higher than 4%—to the shareholders, the owners of the bank, and you’re constantly going to be missing out.

N: Exactly right. So you need to put yourself in a new environment. Put yourself in a place that actually profits you, and that’s why we use the policy. And we can go on and on about the tax benefits of life insurance, and as you’ve said Holly, that it’s guaranteed to grow. It’s not attached to the market. So we don’t have to worry about the markets going up and down. It’s totally liquid. We can borrow it out and use it for all these different things in life without credit checks. There’s so many benefits for it. But to unveil it, it’s really just a big banking institution that you get to plug into as an owner, and the only thing infinite banking brings to light is how you ought to be using your policies. In fact, some of our listeners may already have whole life insurance policies that can be used in banking, just no one’s ever told them that they can use it for certain things. One of the things that I wanted to get into is how have we used these policies; what are some of the ways to start
implementing banking and to start banking from a policy instead of a bank account?

H: One of the most simple ways is taking and understanding your debt—whether that be credit card debt, I’m going to focus on that. Many of us are living outside of our means. Or for some reason we have an emergency or something happened, and we put that money on a credit card, and every month we’re paying that minimum amount due on the credit card, and if you just keep in that cycle, you’re never going to be able to break free. Because the minimum is going to take you years to be able to pay off that debt. And instead it’s very simple to just be able to put that money into a life insurance policy and have us teach how then you recapture that debt, you pay yourself that money you would have paid to a credit card company. The other way is student loans; many parents out there and families, you go to college and you go to university to become a doctor, a lawyer, an engineer, a veterinarian, anything you can think you want to do, go into business for yourself, and yet we graduate, and we have this enormous amount of debt that is now owed to the government, to a bank. We financed all that we could just to be able to graduate from school and not have any stress while you were going through school. But once you’re done, you have this large amount of debt that’s piled up, and you have to figure out how you’re going to pay that off and continue to live.

N: Right. And one of the first things you’d really want to do in the infinite banking system is learn how to start using your policies to take over debt. As Holly was saying, use the policy to get the credit card off the books, people. There’s people out there paying 15, 20, 25% on credit cards. And yet we’ve got money locked up elsewhere that we’re hoping grows [when] all you have to do to start making
money is to take over the debt. But if you take it over, you need to recapture it. And that’s one of the things, Holly, that not too many people are doing—- is that when you actually take over a debt, you need to pay yourself back exactly like you were paying everyone else. And that’s what Holly was getting at there as well. As soon as you take over the credit card debt, let’s say it was a $10,000 balance, and you were paying $400 a month on it or something, $200 a month, well whatever you were willing to pay then, pay yourself. At that point in time, you get to make all the money that the banker was making off of you. And it works for credit cards, mortgages, cars. That’s really the first order of business in my mind. Is to start taking over all the current liabilities that you have with other people and pay yourself back with interest just like you were paying them. And now you really are making money in the banking business. We just happen to get the money to do that from a policy. Instead of a normal checking account or something like that. And as you’re repaying the policy, what’s happening inside the policy?

H: The policy continues to grow at the guaranteed rate tax-free. So you have this policy that’s growing because you’ve put the money in there, and you’ve left it. You’ve made that deposit into the policy. And now it’s growing faster or what they say is “one’s increase,” and the policy money and value is increasing, while what you’ve borrowed from the life insurance company is decreasing. So really you’re winning here because you’re getting every dollar back that you would have given to somebody else. And the key is to really take a shift and understand that when you pay yourself; you would have paid a bank if you had to pay them, you would pay the credit card company, the mortgage company, the car finance individuals. You’d all pay them if you owed it to them, so pay yourself that. Often what we’ve done, Nate, is take that money out of a deposit that we’ve had or we borrowed it with every intention to pay the money back and we never do. But even if we pay it
back if we did, we never pay ourselves interest. So really what we’re saying is our dollar is not as valuable as the money we would have borrowed from the bank or the credit card company. And you really have to understand that you pay yourself interest because you would have given the credit card company interest, you would have given the financial institutions that gave you the money for your student loan interest. And you can use this for everything because, Nate, what do we finance in life?

N: We all finance a house at some point most likely, we’ve all financed cars, we’ve already been through student debt, vacations and weddings and braces, and the list just goes on and on of different things, especially the larger things, even unexpected things that come with medical bills and things like that that we’re financing. My wife and I had a baby last November, and of course we used our policies to essentially finance the bill, but they were saying, “We can help you out. If you want to use our financing...” It was at a 10/12% rate that I’d have to be paying. No. If I was going to pay them that, I might as well pay myself that. We finance a lot of things. Even the things that we don’t think of. Things that we pay cash for. And I don’t know if this is a new can of worms that we should even open, Holly. You really do finance everything that you buy. A lot of times we just think that we’re financing something if we borrowed to purchase it. But you’re financing it even if you pay cash. In other words, if you pay cash, that money is gone; it can no longer earn money for you. When you had the cash, you could have gone out and invested it; you could have done something with it to earn interest. But now that you’ve used it, you can no longer earn any interest on it. When you pay cash, you lose interest; whenever you borrow someone else’s money, you pay interest. Either way there’s interest going to be lost. You’re either going to pay someone else interest or you’re going to lose all the interest you could have earned. So
honestly, Holly, the answer is—what do we finance? We finance everything. From the pack of bubblegum that we bought all the way to the million-dollar home that we just bought. And everything in between.

H: Really, you have to start understanding that even if you pay cash for something, and somebody financed something, and I’ll take Nate—if Nate financed his car, and I paid cash for the car, and after five years, I don’t have any more cash than Nate has, it didn’t do me any good to finance the car. All I’ve got is the car. But what I’ve done is, essentially, when I paid cash, created an unsystematic way to pay myself to save up for the next vehicle. Because when I get a little bit of extra money, or what we sometimes term a windfall, we’ve got a little bit of extra money, I put it into that savings account or I make a deposit into somewhere safe, and then when I need to buy the next car the money is there. Versus, if I paid it as a loan, even back to myself, it would have been systematic payments I would have made. Whether it be to the bank or to yourself. It’s a systematic payment. And you have to understand that everything in this world is financed. We finance, like Nate said, the pack of gum to the million-dollar house to the wedding to the vacations; we finance it all. And the only way to get ahead is to trade places with the bank.

N: And that’s why it’s so powerful to just change where you bank at, guys. It’s the most powerful thing we’ve done, Holly. It’s easier than we think. The question a lot of people ask me: “Why isn’t everyone doing this?” I don’t know why everyone’s not doing this. The banks are already doing it. You want to start doing it yourself. It’s a way that you can start making money on almost every dollar that flows through your hands. You just got to change where it’s going. Every dollar you flow into the bank, you know it’s not going to make you money. But I can promise you
the bank knows how to make money on it. Exactly right, Holly. If you learn to become your own banker, to change where the money is going, change where your deposits go, change where you’re making your payments to, change where you’re getting your money from ... it just takes a change in thinking and change in the tool that you’re using, and you can make a lot more money. And as we’ve said, using a policy, you don’t have to take all the risk that we’ve normally been taught to take in the market, 401ks and things like that that we’ve been in that can go up and down. It allows us to have so much more control when you’re guaranteed to make money and whenever you’re using your money today instead of thirty years from now. And it really frees up your mind to not be, as I say, living paycheck to paycheck with a retirement program. That’s not a very exciting life, but that’s where most of us have found ourselves when we follow the conventional advice. And as the motto of the podcast says, if you follow the herd, you’ll probably get slaughtered. Most people are in a financial mess, not because they don’t make money [and] not because they’re not intelligent, it’s because of all the things we’re told to do don’t work, or at least they don’t work for us. There is a way out, though, especially as banking is concerned. And the best way to get control is to become the bank, and that’s what you can do through a mutual life insurance company and getting a policy with them.

H: Warren Buffett once said, “That if poor people would do what rich people do, they wouldn’t be poor anymore.” Well banks, if they’re in the money business, then they’re not poor. They’re making money off our money everyday. Why aren’t we, then, as poor people, doing what the rich are doing—the banks? Why not mimic what they are doing? And create your own personal wealth. Create your own money for your family. And turn every liability you have into an asset because
you’ve changed places with the bank. And the only way or product that I know you can do that with is the mutual plan whole life insurance.

N: There’s nowhere else to go that you can have this kind of control so you can become your own banker. I thought we could go into just how people have been using it. I know that some people would say, “Well, Nate, what if I don’t have any debt?” Or something like that. Well, in other words, even if you don’t have any debt to other people, you still have money flow through your hands. And where does that money go? It goes into a bank. Into deposits. And we just pay cash for everything. What if I could show you how you could actually make your deposits elsewhere? That you could start moving your money into a policy instead of a bank account. And then use that policy exactly like you’re using your bank today. But just make a lot more money. I just wanted to make that clear, Holly. As you know, the goal of this system is to help people get out of debt and never get back in it, so of course it works for people who are already out of debt. In fact, you probably already have a leg up on all the people who are in debt. The key is there are a lot of ways to make money in banking. The first order of business is probably to get those student loans off the book, get those credit cards off the book, get the car loan off the book. Then, once we get you out of all these third-party debts, it will be to use your policy to pay cash for everything from now on, so you’ll never have to get back into debt. And now you’ve freed up your mind, you’ve freed up your money, so you can actually make money like the banks do for the rest of your life, without having to take any risks, without having to change your cash flow or your lifestyle. Just by changing where the payments are going.
H: And if you knew you didn’t have to work any harder and you didn’t have to change your lifestyle, all you had to do is change who got the money and started paying yourself, that monkey on your back and the stress of “Where is the next meal going to come from?” or “How am I going to make this mortgage payment?” or “Now I’ve got to set up a payment plan to pay the IRS for taxes or I’m going to default on my loan and my car is going to get taken away.” All those questions, all the things that go on in our head, as we’re trying to figure out how can we just get ahead, how can I get one step ahead? All that can be simply solved just by becoming your own banker. And even if it’s taking out one hour of your day to learn how you can become your own banker, it is the one way you can be financially free. And you can literally breathe easier every day and sleep better at night because you’re not worried about where that next paycheck is going to go and all the money that’s going to be gone. Because for once, you’ll be able to control your money and determine where it goes and how it’s spent.

N: Amen. As we’ve said, we’ve fallen in love with this idea. It’s definitely not the herd mentally, but it’s something that everybody can do and everyone ought to learn—how to become their own banker. With that said, this has been Dollars and Nonsense, if you follow the herd, you will be slaughtered.

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