Book Summary:  Becoming Your Own Banker – Unlock the Infinite Banking Concept – Written by R. Nelson Nash

This book is not about getting rich quick. It talks about emulating the entities that contain all the wealth – “Banks”. This is a big deal because you can leverage tax deferred growth, pay interest to yourself, leverage tax write-offs and see the power of compounded growth over time. This strategy is very powerful and is how the rich preserve wealth through the generations. I am a big believer in Financial Education and this book will help you in that endeavor. As always, I am not a financial planner and always recommend you do your own research. This summary is designed to help you with that research.

Why is this important to me?
This may not be important to you but in my opinion, it should be. Most people work their asses off to make money and then do nothing to preserve it and build upon it. Remember that your financial goal should be to have your money work 10 times harder than you. I know this is an easy statement to make but it requires diligence and education.

Money flow is a key concept. It is either flowing toward you or away from you - there is no standing still. This is why they call money – “currency”. Remember that if you pay cash for a car then you lose the earning potential of that money. Likewise, if you finance it then you pay interest to the bank. In both scenarios, the money flows away from you.

Infinite banking will show you how to eliminate this problem.

This book is broken down into 5 parts. I will touch on each part and drill into the most important aspects of the Infinite banking Concept.

1. Becoming your own banker – The problem with not doing this concept is the “volume of interest” paid by people to buy stuff. Most people focus on the interest rate without truly thinking about the volume of interest paid. Here is a quick example: Let’s suppose you were going to buy a house for $200,000 at 6% interest over 30 years. You end up paying $431,677. So basically the house costs you double. If you look at the rule of 72’s then your money should double every 7 years then this is not a bad tradeoff. Here is the killer. Let’s suppose you sell the house 10 years in, you will still owe over $167,000. Guess what – the banks know this.

   On average you can calculate for the average person that about 30% of every dollar goes to interest in some form or another. Thus you need to focus on the “Volume of Interest” and not the Interest rate. Think about this – what if you could have purchased that house with your “savings” and paid yourself the interest instead of the bank?

2. Dividend paying life insurance – Let me caution some of you who listen to Dave Ramsey. His stuff is excellent and he hates whole life insurance as an investment. I disagree with him and can show you why. This book will touch on that. There are some real secrets with this device as an investment strategy. They include: tax free growth, instant access to the money, law suit exempt & the money stays in the policy. This is the real secret. When you take a policy loan, you still receive your dividend. Thus it is like your investment is still growing and you can write off the policy interest on your taxes. Everybody focuses on rate of return using investment vehicles but you need to look at all the pieces that make up the pie and I can tell you nothing beats this concept. Why do you think Warren Buffet loves insurance companies and insurance vehicles for his investments?
Capital Buildup – Just like any business, you have to build it before it starts making money. You need to do the same thing with Insurance to have the Banking concept work. If you think of a Grocery store, you have to rent the space, hire the people, stock the shelves, advertise and work the business. It takes time before the business starts spitting off money and you have a ton of risk. With the insurance vehicle as the funding component for the Bank of YOU, you have to build it for at least 4 years. Once you hit the 4 year mark, then you can start using the money to buy things and pay yourself the interest.

Human Behavior – For the Bank of You concept to work, you need to make sure you pay yourself the payments just as you would a bank. If you don’t then it is like stealing. You really need to cement this concept into your head for this to work. You would not pillage your grocery store so don’t pillage the insurance policy.

Compound Growth – For sake of time, I won’t go over all the numbers but Insurance as a vehicle investment blows every other type of investment like 401K, 529 plans, CD’s, mutual funds and other restrictive types out of the water. Most financial planners will disagree with this because they don’t understand ALL the benefits of the insurance – not to mention that they may not be able to sell it to you....... The compounded growth tax free really becomes strong in the mid to late years. When you pay yourself back the interest and the principle then the policies values grow even faster. The true hook here is that you are now saving the 34.5 cents out of every dollar in interest because you are paying it to yourself. This interest then grows tax free in the policy. One huge advantage is that you get the loan money from the policy delivered to your door and it is not taxable. This is that way because it is a loan to you. When you look at other investment vehicles, you are encouraged to put the money away and hope it will be there. You have to follow guidelines on when you can access the money. If you do it too early then you have to pay penalties. I don’t know about you but I don’t want people telling me what I can and cannot do with my money.

I just touched on the important factors in this great book. I can tell you that you can even put this strategy to work on steroids when you buy other investments that spit off cash flow. In the examples in the book, Nelson talks about buying cars and shows the power over time when you pay yourself the interest. Now consider if you buy a small business that is making money. You setup to pay for the business with a good interest rate to pay yourself back and NOW the payments come from OPM (other people’s money). I can tell you that the tax advantages and the growth potential of this strategy are unbelievable. I have done this both with purchasing other businesses and with purchasing cash flow real-estate. This really helps when you pay yourself back because you make interest income and you can charge yourself more interest.

Remember that interest income to YOU is taxed less than ordinary income. This is a huge magnifier when taken into account over time. You get to grow more money faster this way.

I hope you have found this short video summary useful. The key to any new idea is to work it into your daily routine until it becomes habit. Habits form in as little as 21 days.

One thing you can take away from this book is to GET EDUCATED. The concepts in this book are excellent and I recommend you study them. If it makes sense for you then find qualified advisers to help you build wealth.