

# White Paper on Becoming your own 'Banker'

Today people are trapped in a dysfunctional financial model that incessantly chants its mantra: "you can have everything you need and want as long as you have enough credit." This puts Americans on a self-defeating path that creates wealth for governments and business at the expense of individuals and families. We call this distorted view of the economic world The Debt Paradigm.

This paper is designed to introduce you to a failsafe way for you to have the things you need and want without incurring debt-to-others; the challenging mission of re-educating you about money. To do this we need to start with uncovering the false premises upon which the current paradigm rests. The purveyors of this failed paradigm have convinced us that the money model that serves you best is theirs – Earn/Borrow then Spend/Repay.

Second, we describe the alternative to The Debt Paradigm model in detail. It teaches you to Earn/Save then Borrow from savings and Repay yourself (your 'bank'). It starts with not being susceptible to the seductions of advertisers and marketers of The Debt Paradigm.

Let's discuss the Behemoths that thrive by consuming your money for their own benefit. They are relentless and insatiable in their power to consume all your money. The first is the tax bureaucracy in all of its nefarious manifestations: property taxes, sales taxes, fuel taxes, telecommunication taxes, taxes on utilities, excise taxes, import taxes, state, city, county and federal taxes (I could go on for pages but you get the idea).

Remember, taxes pay for police & fire protection, homeland security, roads, schools, social programs and all of the good our government does for us. You should be happy to pay for all it does. At the same time, you do not want to pay more than your share, nor more than you must. If you have your own 'bank' and use the proper vehicle (more on this later) they won't demand a tax on that wealth and it will be protected from other predators (creditors and lawsuits). The best way to deal with the tax man is to build your own 'bank'.

The next group of Behemoths is the financial bureaucracy who are competitors for your money; every lender from your local credit union, with one branch, to the monolithic holding companies that promise everything from basic banking to complete financial planning, to home loans, to insurance, to investments you can 'buy' to make yourself wealthy. Your friendly local banker, insurance agent, and stock broker are a part of this bureaucracy. Perhaps the greatest seducer of all is your credit card companies.

There are some not-so-obvious entries in this category, too: your 401(k) investment options, stocks, bonds, mutual funds, investment in Real Estate, bank certificates of deposits, gold and other precious metals, foreign currency exchanges and various kinds of insurance. You need much of what this group provides. You have to have a place to put money. You need credit cards to secure hotels, airlines & rental cars. Insurance is required on cars and homes. Your 401(k) money has to be somewhere. Short-term loans to banks (savings accounts and CD's with terms 3 months to 60 months) may make sense on occasion.

Conquering this Behemoth and turning off its seductive siren is, however, essential to your long-term survival and success. To accomplish this task you must infiltrate the Behemoths family by becoming your own 'bank'. If you fail to accomplish this, you will be seduced repeatedly, until you either die or give up. Becoming your own 'bank'

is not as overwhelming a task as it might seem. Becoming your own 'bank' is a process that involves reducing your debt-to-others and currently replacing it with debt to yourself.

The last Behemoths are businesses that are enticing you to buy their products. Houses, automobiles, cereal, investments, education, iPods, computers, oil changes, clothing – when you buy realize that the company selling to you is using some of your money to promote the sale of the product to the next person and some to pay collective finance charges that have accrued bringing the product to you. This is not bad. It's the way economies work. This makes you a significant contributor to the free enterprise system. Without you and all the other contributors in the system, it simply could not work; and that's not bad either.

However, it is unhealthy when you pay for the product multiple times by financing all of part of the purchase price through the sellers or through a third party. It is unhealthy when you finance purchases, because when you do so, you allow others to control your personal economy.

It should be clear that to reach financial independence you may need to follow a new model and do it with a guide. Here is how we define GUIDE: G – guide and educate you to make sure you, U – understand your personal economy and are fully, I – informed about the products and services you, D – decide to use in your money practices, and to, E – escort you on your path to becoming the master of your money. These are the functions that a good advisor performs on your behalf. If you do not currently have a guide we are up to the task to help you to build and manage your personal economy.

***“No matter how tough you think you are, you can't do this on your own . . . “ Tiger Woods***

The organizations that sell financial products want you to believe they have found the secret road to wealth, that theirs is the truest and surest path to financial independence, and that the risk they want you to take may not be a risk at all. The reality is that wealth derives from **saving money** from your income and **investing** from your assets. The Debt Paradigm teaches you something quite different. It entices you to invest from income and even use income not yet earned – money borrowed against future earnings – to build your financial foundation.

Consider that a typical family has two cars, both cars are financed or leased (another form of financing – even paying cash is a form of financing since the money you used to pay cash with can no longer be earning money), they often swim in credit card debt, and perhaps home equity debt. They also have a mortgage. All told the typical family spends about 34% of its income on paying interest to credit grantors. At the same time they are contributing less than 5% of their income to their retirement plan and they have put much, if not all, of that retirement at risk (as 2008 illustrated). In other words, they are spending a lot more on interest than they are saving or could earn from their current combined investment and savings.

What's the most important consideration when deciding what to do about money – including investing and choosing an advisor? It is this: that **you** maintain control of all the money that flows through your life; that you choose **when** to use money to support your financial foundation and framework and when it makes sense to you to put some (never all) of **your money** at risk.

Where should you go? What should you do? Learn how to lay a foundation that let's you control the money that flows through your life and let's you employ that money for:

- Living free of debt-to-others
- Creating income you don't have to work for and that you can't outlive
- Making sure that income is not reduced by any tax burden (tax-free)
- Making sure your money is available for life's emergencies (they will happen)
- Assuring that you can pay forward your wealth and wisdom to your children and grand children

Let's talk about your personal economy and setting up your personal 'bank'. Your personal economy is the production of money (wealth and resources) by your family that is used (consumption) to acquire goods and services and to secure your future. Interestingly all discussions about economics don't say word about banks or money. The reality, however, is that without money there are no banks and there is no economy. And we need banks to control the money. Banks, by their very nature control most of the money in economies – even personal economies. BUT, WHOSE MONEY IS IT THAT THE BANKS CONTROL? It is the depositor's money – your money. Stop and think about it for a moment. Banks control most of the money in the economy and it's not their money but yours.

Consider the question of what banks do with your money. You voluntarily give your money to a bank. Why? Because you feel comfortable that the bank will take care of your money for you and you trust the bank to return your money to you when you want it (at least prior to 2008). What does the bank give you in return for your money? Sometimes they give you a bill for fees. Sometimes they pay you interest – a few percentage points – a savings account or CD. Whether you pay the bank or the bank pays you, ***what is really happening is that the bank is borrowing your money.***

Why don't we control the money in our personal economy the way banks control money in the general economy? The answer: you should, but no one has shown you how to do it or the best way to do it. Here is what your 'bank' model should look like.

- Get money – earn it, inherit it, sell 'stuff', invent (just don't rob a bank)
- Bank it – put it someplace that will allow you to act as your won 'bank'
- Borrow from ***your*** 'bank'
- Spend what you borrow to buy things you need and want or even to invest in what you want
- Repay your 'bank' both the principal you borrowed and the interest on the money you borrowed (just like any other loan)

If you agree to this model you have abandoned The Debt Paradigm and are ready to become the ***master of your money and your economy.*** To be the master of your money, you need to know where you can put your money so you can use it:

- Without selling or otherwise liquidating assets
- Paying interest and fees to others
- While enabling you to manage your money the way banks manage money
- Build your own personal economy by building your own 'bank'

### **Step one – Get Money**

It is important that when you calculate the net income you can put into a 'bank', you include voluntary contributions you are making to retirement plans, health insurance, and other deductions from your net earnings

through your employer or business. It is important for you to recognize that it is your money and that you get to decide how you are going to employ that money from this point on. You may well find that these dollars are doing the job you want them to do and that you don't need to make any changes. But, you may also discover that you need to make some adjustments in order to escape the grip of The Debt Paradigm. Our role is to help you 'find the money' to put into your 'bank', often without negatively affecting your current lifestyle.

In addition, consider the money and other assets that you control – savings, CD's, mutual funds, stocks, real estate, automobiles, equipment, and retirement accounts and so on – that could be converted into money to put into your 'bank'. Now, you may have a little money or a lot of money, the amount is not the issue – it is the process.

### **Step two – 'Bank' it**

Remember how the commercial bank works. It is working for the benefit of its own stockholders (owners if private). **Your 'bank' should work exclusively for you.** When a commercial bank lends money and earns a profit, its net worth increases and it pays a dividend to its owners or shareholders, while you receive only a small interest payment. When **your** 'bank' lends money and earns a profit, your net worth should increase and any dividends that are paid, should be paid to **you**.

If you borrow from a commercial bank you must "qualify". When, on the other hand, you borrow from your own 'bank', you should be able to borrow up to what you have in your account without the need to "qualify". And, here is the truly amazing part: even though you borrow all of the money from your 'bank', no matter what you use the money for, as you repay yourself your net worth should continue to grow, **as if you had not borrowed a penny.**

"How is that possible"? You ask. "How can I have use of my money and still have it working for me"? "How can my money do double duty like that"? Your 'bank' treats your loan the same as a loan to Microsoft or GM. If your money were on loan to those corporations, your account value would remain the same, interest would accrue, and dividends would continue to add to the value of your account. A loan does not diminish the value of the account from which it is drawn because the money will be paid back, **with interest.** Of course, there would be differences between you as a borrower and them. When your 'bank' lends to others you require periodic payments. When you borrow you can create your own repayment schedule – it would suit your needs. You also get to set the interest rate charges and as you will see it will be to your benefit to overcharge yourself rather than cheat yourself. When you borrow from your 'bank' you repay the entire cost of the purchase and all of the interest to yourself. So the main difference is that at the end you still own the item and you have recovered all the money you used to purchase it. Over time all these purchases, and the interest paid, adds up to a substantial amount of money.

It won't surprise you that there are a limited number of financial vehicles that will work as a 'bank'. It shouldn't surprise you then that most financial and investment advisors – and certainly the banking entities that rely on you paying interest – don't talk about these products, and especially about this process. Almost any financial product that will allow you to access your money can serve as a 'bank'. But there is one that is the most ideal and perfect for this personal 'banking' process, and only one that allows you to benefit from 'double duty'. It is a ***properly funded and structured dividend paying whole life insurance policy from a mutual life insurance company.***

Here are several reasons why:

- Policy holders own mutual life insurance companies. The executives and employees who work in mutual companies work for the individuals and families who own policies sold by that company.
- Mutual companies, therefore, operate exclusively for the benefit of their policy owners. They are not beholden to outside investors, individual or institutional shareholders. The bottom line for mutual companies is how well they serve their owners –the policyholders.
- Since mutual companies pass the surplus earnings on to their policyholders, ***the surplus is considered return of premium and is non taxable.***
- If a mutual company didn't distribute all of its profits to the policyholders and owners each year, they would jeopardize their mutual status and violate the basic tenets of their charter.
- Mutual companies historically maintain low operating expenses. Unlike their non-mutual counterparts, mutual's don't have to devote significant monies to investor relations, and other expenses related to their competitors status as public corporations.

It's not just the mutuality, it's the whole life product itself that offer unique advantages not available in any other insurance, savings or investment vehicle.

Imagine for a moment that you have gone to a commercial bank and told them you planned on purchasing an asset of real property valued at \$1 million and that these were the terms you wanted from them.

- I want to purchase the property ***without any credit check*** and based solely on my willingness to commit to level monthly payments.
- I want your bank to guarantee that those payments will never increase.
- I want a ***guarantee from the bank*** that the property will never decrease in value.
- I want any growth in equity value to be ***tax-free.***
- If I decide later that I no longer wish to own this property, I want the bank to ***guarantee that the equity I have built up will be paid to me in cash or as a lifetime income that I cannot outlive*** and that the property will revert to the bank at no cost to me.
- If I decide that I don't wish to make payments for some period of time ***I want the bank to automatically make those payments for me as a loan*** against my equity at a guaranteed rate of interest.
- If I want to borrow against my equity for any reason, I want the bank to make the loan without ***question or qualification.***
- If I do borrow, I want the bank to only charge me a ***guaranteed rate that we agree upon before signing*** the purchase application – even if the loan is requested years into the future – and I want the bank to accept any payments I make, even if they are less than enough to repay the loan.
- If I die prematurely, before the property is fully paid for, I want the bank to pay my heirs ***the entire \$1,000,000 less any loans I have taken, regardless of how many payments I have made*** – even if I die in the very first month after purchasing the property.
- I want to be able to make extra payments and I want the bank to keep track of them for me.
- Finally, Mr. Banker, I want to pay the bank a few extra dollars each month so that if I get sick or hurt and can't work the bank will make my payments for me.

His answer. NO! NO! To everything. Such foolishness is wasting my time. My bank doesn't work that way.

A conventional banker finds these terms hideous. However, if you were to apply those questions to a whole life insurance contract from a mutual company, the answers would all be “YES”! Your only requirement would be that you qualify medically (if you didn’t - you use someone else as the insured – wife, son, daughter, etc.).

**Wouldn’t a ‘bank’ like that be valuable to you?**

Wait there is more. Mutual companies’ whole life policies pay dividends. This adds an entirely new dimension to the discussion of why a whole life policy makes a great ‘bank’. First of all, dividends from stocks that you own are **taxable**. Dividends paid to mutual company policyholders are considered a return of unused premiums that has already been taxed and are, therefore, paid tax-free and grow tax-free as long as they remain within the policy. Unlike reinvested stock dividends, a whole life contract guarantees that you’ll never lose the dividends you leave in the policy. You can take the dividend a number of different ways but the most beneficial option, however, is to use them to purchase additional single premium life insurance, called paid up-additions (PUA’s). Why?

- The paid-up additional insurance death benefit requires no qualification of any kind. It requires no proof of insurability and no need to justify the additional death benefit.
- The cash value of the dividend used to purchase the paid-up insurance becomes a guaranteed cash value and enhances the cash value of the basic policy.
- The paid-up additional insurance cash value grows unencumbered at the same rate as the basic policy and pays dividends itself as long as the policy is in force.
- The dividend paying practice that works the best as your ‘bank’ pays dividends on the base policy and also on the paid up additional insurance, even when the policyholder has borrowed money from the policy. If, for example, your policy had accumulated a cash value of \$50,000 and you borrowed \$40,000 to buy a new car, the policy dividend would be the same as if you had not borrowed a penny.
- There are, finally, no commissions paid on additional insurance purchased with dividends so all of your dividend dollars, minus only a small set-up charge, go to work for you immediately.

There are other types of cash value insurance policies available but only the dividend paying whole life insurance policy from a mutual company has proven over time to be the best solution. It is also imperative that it be structured properly. It must be designed to maximize cash value (your ‘bank’ money) and minimize the death benefit. This is the opposite of the way these policies are sold by ‘normal’ insurance sales people.

In summary, what you must do is repel The Debt Paradigm that teaches you to Earn/Borrow from others, and Spend, Repay others and maybe save a little for the future and replace it with Earn, Bank, Borrow from your ‘bank’, Spend, Repay yourself and recapture all of the money that flows through your life in your own ‘banks’.

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## **Twelve reasons why you should choose to build your personal economy via your own 'bank'**

1. You can get to the money in your 'bank' whenever you want it or need it . . . no penalties, no waiting, no taxes and no application.
2. The government, your employer, or any other outsiders have nothing to say about how you operate your 'bank.'
3. Your 'bank' is protected from creditors and lawsuits (protections are not the same for every state so check with your state – it applies in Illinois).
4. You can borrow from your 'bank' for any reason and you don't have to qualify in any way.
5. When you borrow from your 'bank', the money in your 'bank' keeps growing as if you hadn't borrowed a cent. . . your money does double duty.
6. Your 'bank' allows you to recover the money you pay to purchase cars, household furnishings, vacations, and other big ticket items or to fund education, business start-ups or any other costly expense, and deposit both interest and principal you recover back into your 'bank.'
7. Your 'bank' allows you to put all of the interest you would normally pay to credit card companies, banks and other credit grantors into your 'bank' where it compounds for your benefit.
8. Your 'bank' allows you to prepay the cost of future health and long term care so the money you need as you age is in your 'bank' when you need it most.
9. Your bank funds an inflation-protected income that you do not have to work for and you can't outlive.
10. You can use the money in your 'bank' when an unforeseen life event throws you off the track.
11. Your 'bank' lets you grow your wealth tax-free every year . . . no sliding backward . . . no worries about stock market crashes or real estate bubbles . . . just peace of mind about your money.
12. Your 'bank' serves you without compromise while you are alive and allows you to pay forward – tax-free to anyone you choose – your legacy of wealth and wisdom.

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**NOTE:** *This white paper is designed to provide accurate information with regard to the subject matter covered. It is presented with the understanding that we are not engaged in rendering legal, accounting, or other professional advice. If legal or other expert assistance is required, the services of a competent professional person should be sought.*