HOW THE WEALTHY GET AND STAY THAT WAY, AND HOW YOU CAN TOO

WHAT WOULD BILLIONAIRES DO?

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New York Times Best-Selling Author

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... and How You Can Too

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CHAPTER ONE

A Critical Discovery

Only the man who does not need it is fit to inherit wealth—the man who would make his own fortune no matter where he started. If an heir is equal to his money, it serves him; if not, it destroys him. But you look on and you cry that money corrupted him.

Did it? Or did he corrupt his money?

—Francisco d'Anconia, *Atlas Shrugged*

Imagine one of your great-grandchildren presiding over a family fortune of tens of millions of dollars—or even hundreds of millions of dollars. And imagine that, whenever your great-grandchild receives a check to help pay for education, or to buy their first home, or to start a business or even to help survive financial disasters like medical bills, illness, or disability, your grandchild gives a quick toast to your memory. Your grandchild toasts to you because you started it all. You amassed wealth and left behind a set of values and a financial legacy to shepherd that wealth.

Is this possible? Is it possible for you not just to leave your kids better off than you were, but to spark a financial legacy of wealth and empowerment that lasts for generations?

Yes, it is. It's possible to create a family fortune that lives on in perpetuity—benefiting generation after generation after you—and it's possible to do it without creating "trust fund babies" who know how

to spend money and little else. Instead, your wealth can be used to empower future generations. It can act as a launching pad for all of their endeavors, whether those are professional, academic, charitable or entrepreneurial in nature.

It's not easy and does take careful planning, but it has been done. For real-world examples, we need only look to America's past. In the 19th and early 20th centuries, two of America's wealthiest businessmen amassed incredible fortunes that each separately towered over the fortunes of Bill Gates, Warren Buffett and Mark Zuckerberg combined. Their names were Cornelius Vanderbilt and John D. Rockefeller, and the story of what happened to their fortunes embodies a lesson for anyone planning to leave wealth for the next generation.

The Fortune of Cornelius Vanderbilt

Cornelius Vanderbilt made his fortune in the transportation business, starting by ferrying goods and passengers around New York Harbor in the early 19th century. Soon his business expanded to shipping goods from the West Coast to the East Coast, using Nicaragua as a passageway. Eventually, he switched from ships to trains, where he made his largest fortune yet in the railroad business. At his death in 1877, Vanderbilt's fortune was estimated to top $100 million, which was more than the US Treasury held at the time. That's more than $200 billion-with-a-"B" in today's dollars.

But even as the richest man in America, Vanderbilt lived a relatively modest life. He gave some money to charity—he donated $1 million to help start Vanderbilt University, and he also donated to churches. But 95% of his fortune was passed on to his son, William Henry Vanderbilt, leaving his surviving wife and children to split the rest.

William Henry Vanderbilt did well, doubling the family fortune before his death, nine years after the passing of his father. But that was the last time the Vanderbilt family fortune would grow. The Vanderbilt heirs became known as wealthy socialites with a penchant for lavish spending. There were ten Vanderbilt mansions built in Manhattan, including the largest private residence ever built there, plus several more around the country. Many of these homes seemed more like palaces, such as The Breakers in Newport, Rhode Island, which still stands today. But without any new money coming in, the fortune couldn't survive the spendthrift Vanderbilt heirs. By 1947, all ten Vanderbilt Manhattan mansions had been torn down.

It is said that Cornelius Vanderbilt's last words were, "Keep the money together." But the Vanderbilt heirs failed fabulously. The family fortune was squandered in just a handful of generations. A direct descendant of Cornelius died broke just 48 years after he did.

The Fortune of John D. Rockefeller

John D. Rockefeller made his fortune selling oil and kerosene. He started Standard Oil of Ohio in 1870, and by the end of the decade his business was refining more than 90% of the oil in the United States. Rockefeller's objective was to deliver the best oil at the cheapest price. He once wrote to a partner, "We must ever remember we are refining oil for the poor man and he must have it cheap and good."

And Rockefeller succeeded, pushing the price of oil down from 58 cents to eight cents a gallon.

The result was that Rockefeller became the richest man in American history. The New York Times said in Rockefeller's 1937 obituary that he had amassed more than $1.5 billion dollars. In today's dollars, estimates of his wealth vary between $243 billion and $341 billion.

Rockefeller was a prolific giver, donating more than $530 million of his fortune to charity during his lifetime. He also left $460 million to his son, John D. Rockefeller Jr., otherwise known as "Junior," in 1917. Unlike the Vanderbilts, Junior kept the family money together by creating a trust for each of his children—a daughter and five sons. The bulk of the family fortune was put into these trusts, managed by a group of financial professionals referred to as the "Family Office," which would provide Junior's kids with interest income.

Six generations later, the "Family Office" is still managing the Rockefeller fortune, which is estimated to be more than $10 billion. More than 150 Rockefellers currently receive interest income from the family trusts. And the family is said to donate as much as $50 million per year to charity, carrying on the senior Rockefeller's tradition of philanthropy.

Choosing the Rockefeller Method

What made the difference? Why did the Rockefellers keep their fortune while the Vanderbilts lost everything? The answer, ironically, is that the Rockefellers heeded the last words of Vanderbilt. They did "keep the money together," using trusts as a legal tool to protect the fortune as much as possible from taxes, lawsuits and spendthrift heirs.

This wise financial planning has empowered six generations of Rockefellers. And many Rockefellers have found success in business and politics, with three governors, a senator, and a United States Vice President among John D. Rockefeller's descendants. Conversely, the last well-known Vanderbilt descendant is the television host, Anderson Cooper, who had to fight his way into the industry—even forging press credentials to get a chance to report news. The Vanderbilt fortune was not there to help.

The lesson is clear. If you want to empower your children, grand-

children and great-grandchildren, don't simply leave them money to spend as they please. Keep the money together. Design trusts that direct how money can and cannot be spent. And pass on your values to the next generation so that your vision doesn't stop with you.

The Rockefeller Method isn't just for the Rockefellers. I have changed my family's financial destiny by using this method and the financial strategy at its core.

My Story

I grew up in the coal-mining town of East Carbon, Utah—a tiny community of only a thousand or so people where everybody knew each other. My father and my grandfather were coal miners, and I was born into financial bondage. My parents gave me everything they could by instilling great values—hard work, perseverance, and love— but they couldn't give me much in terms of money, wealth and financial knowledge.

The only person I really knew who was a business owner was my grandfather, and it was just a side business in addition to his work as a coal miner, repairing televisions and playing in a band. As a little kid, I would go around with him as he drove his red van around to people's houses and helped them repair their TVs. Everybody knew him and respected him. I would sit and watch him work in his shop, and as I grew up, I grew to admire him more and more. See, my grandfather is my hero. He was the patriarch who glued our family together. He was always family oriented, always made time for family—coming to every ball game, every birthday party. Imagine if he had all of this and the power of the Rockefeller Method.

When I started out in financial services at nineteen years old, my family, being the nice, supportive people that they are, agreed to let me help them out. I managed their money, and as the market rose in

1998 and 1999, their finances grew too. In my little community, I was viewed as a financial Einstein. But when the market went down in 2000, I realized that I had been riding a wave. As Warren Buffett said, "You find out who's swimming naked when the tide rolls back," and I was definitely swimming naked.

This was one of the most pivotal times of my life. Instead of telling people they were "in it for the long haul," or "the market is on sale," I chose to face each one of my clients and got them completely out of the declining market between March and May of 2000. I also told them I didn't really understand what I was doing. My training at the time was mainly in sales and products, not in markets and strategy, and I came clean with each client about my limited training. This saved them hundreds of thousands of dollars (and it would have been millions if I were managing more money, but I was in my very early twenties, and fortunately had just started out). People saw this act as one of integrity, and it gained their trust as I saved them money and told them to find another adviser or wait until I got really clear about what to do. I did.

Then, my grandfather's sister—my great-aunt—got really sick and was put in the hospital. My grandfather was an Italian immigrant, and our entire family had adopted a scarcity mindset when it came to money. He rarely spent money on anything (other than his grandkids). Frugal would be the nice way to put it. And if my grandfather was frugal, my great-aunt was beyond frugal—a miser. She put money in Folgers coffee cans, which she put in the cellar or buried in the backyard. She applied for welfare even though she had over half a million dollars in her savings account. They never talked about money, wealth, or value creation, or taught anyone anything about stewardship. All they did with the money they made was hoard it.

My great-aunt, who never married, stored all of the family money

in her account even though two thirds of it belonged to her siblings. When she went into the hospital, my grandfather and their other sister sat me down and said, “Garrett, we really need your help.” No one was just being nice now; they needed to figure out how to use their money to care for my great-aunt and avoid losing it to nursing care expenses and medical care costs. So I came up with a strategy for them whereby they could take care of their sister without having the money that was meant for all three of them evaporate in a year or two.

I felt really good about helping my family out in that way, and my family was pretty impressed with me. But then my grandfather looked at me and said, “When you graduate are you going to get a real job?”

Even after I had helped them with this great financial strategy, my grandfather didn’t really believe that being in business was a real job. To him and to my mother, it wasn’t stable or secure enough. It seemed like a risk and unfamiliar territory. Maybe the long trip to the United States from Italy had created a mantra to never put the family at financial risk, but unfortunately this caution had turned into scarcity-based thinking.

My grandfather and father both worked for unions that went on strike. I remember my dad eating crackers for weeks at a time because he and my mom didn’t have money for food while the miner’s union was on strike. And yet, they felt being a business owner wasn’t stable.

I was incredibly confused, and as I went through my senior year of college, I got more and more depressed. I couldn’t see a clear vision of my future. I had job offers from Arthur Andersen, Merrill Lynch, American Investment Bank, and Strong Investments—which was the number two investment family in the world at that time. But because of the doubt instilled by my family’s concerns, I was constantly questioning myself, asking if I could really do it or if I should just take one of these job offers.

Even though I was already making money in the financial services field, I almost made the decision to move to Milwaukee to work for Strong Investments. My girlfriend at the time—now my wife—said to me, "I don't know if I want to go to Milwaukee, but you should follow your dreams." The problem was, I couldn't tell if that's what I was doing. Even in school, nobody was encouraging me to stay in business—with the exception of one professor: the Dean of the Business School, Dean Templin.

In a meeting, Dean Templin said to me, "You're already making more than all of your professors. Why would you take advice from them on what you want to do for a career? They're here to give you education in other areas. You just do what you're doing." And, as it turned out, by helping one of my professors (who had been a fund manager previously), I ended up making a commission that was more than any of the salaries from these other job offers.

So I decided to stay in business, even though it wasn't a "real job" according to my family. And when I showed my grandfather my bank account to let him know that everything was going to be okay, and told him about all the ways I was helping my clients, he started to tell everyone about me. Not a day went by in which he didn't get teary-eyed telling me how proud he was of me. He realized that I was doing what I love to do—and that I was changing the future and financial destiny of our family.

The strategy I ended up teaching my grandfather and his sister was the first piece of the Rockefeller Method. This knowledge can give you the chance to change your family's financial future so that the next generation isn't born into financial bondage. I started the first phase of this strategy by using Cash Flow Insurance in 1998 as a fool-proof strategy, and it has evolved into something that I will use to perpetuate my legacy. Our family will be able to advance, instead of starting over

every time someone from the previous generation passes away. I'll be able to take what my grandfather wished he could have given me, and give that opportunity to future generations. And you will too.

This methodology allowed my grandparents to leave an extra $250,000 to their heirs tax-free while enjoying a fuller life the last ten years they were alive. That $250,000 may sound small, but they lived in a community where houses sold for $20,000-$40,000.

So, how do you leave a financial legacy that will empower your family for years? For my family, we will implement the Rockefeller Method. And we will do everything we can to avoid the Vanderbilt way.

I believe the Rockefeller Method, where wealth is centralized and directed by a carefully planned trust, is the best way to perpetuate, preserve and protect wealth. That's why I've invested substantial time and energy designing the financial legacy that I will leave my family, along with finding the right person to help, of course.

Andrew L. Howell is my estate planning and asset protection attorney, and he's helped me create a plan that will empower my kids and their kids and hopefully many generations after that. As the grandson of prominent estate planning attorney, Max B. Lewis, and the beneficiary of a family trust himself, Andrew is the foremost expert on the topic of making family fortunes last.

Recently, Andrew co-wrote the book *Entrusted — Building a Legacy That Lasts* with his law partner, David R. York. On page 118, they describe the challenges of making family wealth survive more than just a few generations:

> Preserving and protecting financial wealth requires an understanding of, and a solid plan for, counteracting the three primary forces that erode wealth over multiple generations. Just as water, wind, and gravity work to erode natural monuments, three forces work to erode financial wealth over

multiple generations.

1. The division of assets among the generations
2. Transfer taxes and capital gains taxes
3. Business risks and third-party attacks

Studies have shown that as a result of these three forces, financial wealth doesn't last past the third generation in 90 percent of high-net-worth families. This truism has sometimes been expressed as "Shirtsleeves to shirtsleeves in three generations," an American translation of the Lancashire proverb, "There's nobbut three generations atween a clog and clog."[1]

It's amazing how quickly wealth can disappear when you factor in those three forces: division, taxes and risk. Andrew illustrates the point in the book. He uses as an example two parents with a $100,000,000 estate; they have four kids, who each have four kids, who each again have four kids (the great-grandchildren). Without proper planning, and applying just the 40% estate tax to each generation transfer, each great-grandchild will receive just $343,750 out of an original $100 million.

While inheriting over $300 thousand isn't a bad deal, the family fortune is gone. Even leaving $100 million behind wasn't enough to beat the rule of "shirtsleeves to shirtsleeves in three generations." Now just imagine if you left behind $1 million or less—your financial legacy might not reach even your grandkids.

Fortunately, that's only what happens when you follow the traditional estate planning route. There is another way. From *Entrusted*:

Assume, for example, that you have sufficient funds to allow one generation to supplement its income, take more extravagant vacations, and retire early. What if those funds were instead used to foster education,

> provide a small but meaningful down payment on a first home, or provide loans to start a business? For how many generations could the funds last in that scenario? Two? Three? Four? What if those successive generations repaid and/or replenished these funds? Would it be possible for a family to create a perpetual opportunity machine?
>
> The answer is yes.
>
> Finally, Entrusted Planning is built on a belief in successive generations. It says, "You don't need my financial wealth; you just need a start and an opportunity." That belief in a child, grandchild, or beyond, is powerful and can be life changing.
>
> Traditional estate planning generally passes a lump sum of money, with minor or few conditions which is basically transferring the ends. Entrusted Planning focuses on the means and allows the family members to create their own ends. It's based on the belief that the goal for successive generations should be self-sufficiency and independence, and so it focuses on the ability to replicate wealth and not simply on sustaining and consuming it. It's based on a simple but fundamental principle: successive generations, when given sufficient opportunity and means, can and will achieve on their own.

Entrusted planning is Rockefeller style planning. Regardless of whether you leave $1 million or $100 million behind, you can make your financial legacy last in perpetuity if you plan it the right way. Rather than leaving wealth to the next generation, you can leave them opportunity. You can make it so your family doesn't have to start over every generation at zero, and instead is able to leverage your legacy to get a foot up in the world.

For example, if my descendants have a business idea, I want to empower them to start that business with the family trust rather than leaving them to try to make it happen while working a minimum wage job on the side. I want to help my kids pay for education without

leaving them shackled in debt. And I want to empower them to make a bigger impact in the lives of others by encouraging them to make good choices. I want my trust to be a magnifying glass for good and a deterrent for evil. If they're not doing healthy, productive things, then they're not going to get access to anything. But if they are producing value, they will be empowered.

For example, I have a deal with my kids that if they read and write a book report on *Atlas Shrugged*, I'll give them $10,000. I also have other deals in place to encourage them to find and live their Soul Purpose. So instead of dumping money in their laps that could ruin and spoil them, leading to a life of unhappiness, my objective is to teach them to yearn to earn. I want to avoid creating "trust fund babies," and instead help illuminate the Soul Purpose of my descendants. They will not be able to live lives of entitlement, but if they are good stewards, they will live privileged lives.

That is the Rockefeller Method. And in this book, I want to share with you the financial strategy and key tool that allows it all to happen: Cash Flow Insurance. Certified Cash Flow Banking experts know the core of this methodology, and I have used it to power the Rockefeller Method that has changed my family's financial destiny.

CHAPTER TWO

Can I Really Have My Own Family Bank?

The Rockefellers have a family bank. But their circumstances and finances are dramatically different from, well, almost everybody's Everybody wants to save money. Everybody wants to make money. But most people are going about it the wrong way. Most people believe that you have to scrimp and save in order to make money. There's an idea that you have to "shrink yourself to wealth." But it doesn't pay to be penny-wise and pound-foolish. Cutting back can actually cost you. If you let yourself get into a scarcity mindset, you'll miss out on opportunity. "Saving yourself rich" doesn't actually work.

It is inarguably true that in order to get ahead, living within your means is sound advice. However, what most people don't realize is that they are not fully utilizing the means that they have. You are losing money, leaking it all over. Some of it's going to Uncle Sam. Some of it's going to Wall Street. Some of it's going to financial institutions and insurance companies. I want to show you how to become more efficient and put that money back in your pocket. You can recover your cash flow by rigging the game in your favor and putting your money to better use. How? By earning interest rather than paying it, bucking the banking system and cutting out the middle man (the bank) to become your own bank, and creating a bank for your whole family for generations to come.

Let's start with a tale of two families: the Rockefellers and the Vanderbilts. If you take a look at the Forbes 400 list of the wealthiest families in the country today, you'll notice that the Rockefellers are still on that list. The Vanderbilts, on the other hand, are not. Why? Because the Rockefellers had a method to perpetuate and preserve wealth, rather than just handing it down to each generation to start over again. The Rockefellers kept their wealth centralized, which allowed their family to become stronger.

When most people die, their money just gets distributed and spent. Their wealth gets destroyed. But I know that you can preserve it, perpetuate it, and live prosperously along the way. The Rockefeller Method is not about controlling everything from the grave. Rather, it is about giving successive generations parameters whereby they can tap into a family bank, or even a board of people they can connect with who represent some of the knowledge you would have bestowed on that generation were you still alive.

You can set up a trust that allows any descendent to use that money for an entrepreneurial program, a mastermind program, or a college education, for example. In order to access money they would write a plan to the board of the trust, saying, "I'd like to go to this college, and it costs this much money, and I'd like to borrow that money from the trust." It is, in essence, a family bank.

The trust allows this loan due to the investment in education, the expansion of the individual's ability to create value and earn a living, but it is imperative for that individual to have a Cash Flow Insurance policy that protects that trust. As soon as a beneficiary of the trust is born, the trust takes out a life insurance policy for the maximum amount of insurance a company will offer. That way, if the borrower never pays the money back, it's not detrimental to the survival of the trust. They have restrictions on how much they can borrow, and if

they are not able to pay it back in full, the trust will be made whole again by the life insurance. And if or when they do pay it back, the interest on that loan is NOT getting paid back to the government or to a banking institution, but back into the family bank, keeping the family strong.

You can set up a trust like this for experiences, for entrepreneurship, for any number of enterprises. Then, you can set up a model so that people can only borrow a certain amount or even a specific number of times, depending on the assets in the trust. And the board you set up can use something called a statement of purpose—an extended family mission statement, if you will—that will govern their decisions and make sure the money is put to good use. I have a fifty-one page "statement of purpose" for my board! The board can help teach, educate, mentor and support the family, while also protecting your wealth.

When it comes to saving, protecting and growing your money, traditional banking is not your friend. First of all, banks pay atrociously low rates. As of 2019, a typical savings account at a major bank will only pay you about a 1% return, and that's only if you deposit at least $100,000. Anything less than that, you may only get 0.05% back! CDs are much the same, only paying back 0.5%–3%. Government savings bonds are only paying 1.9% at present. It's nearly impossible to find anything at all that will give you back more than 2%. Other investment vehicles like securities have eroding factors, like management fees, which can be as high as 2%, plus there can be the taxes that you have to pay on earnings. To get any kind of decent rate through traditional banking, you have to lock away your money for a long time, with no tax benefit. Not something you would expect the Rockefellers to do.

Moreover, while we instinctively trust that banks are stable, we

don't know that for sure, as recent history has shown. If things go wrong, banks rely on other troubled banks, and the whole thing can collapse. Utilizing traditional banking is, in fact, one of the most damaging things that you can do to your wealth. Taking a loan out from a financial institution puts you in a hole that you then have to dig your way out of—and that is never easy.

Even if you don't currently have a family bank or a trust fund that you can tap into, there are ways to pay interest back to your trust or the insurance company to free up cash, instead of paying mountains of interest to banking institutions on mortgage loans, credit cards, and student loans. Wouldn't you rather have a banking system that safeguards your wealth, grows your money, provides stability and predictability, and allows you to have access to your money?

Well, you can — with a strategy and tool called Cash Flow Insurance.

Very simply put, Cash Flow Insurance is overfunding a permanent life insurance policy in order to use the cash value as a savings vehicle and personal "bank." This is obviously a very over-simplified definition, but we'll give great resources and depth for you in this book! When you have Cash Flow Insurance, you retain control of your money, instead of handing it over to a bank where they may or may not lend you money and you may or may not like the terms. You can access your money anytime, earn interest while borrowing, and enjoy tax advantages. Your highest rate of return will be something you control—and that you can utilize for your purpose, your business, and your passion.

In an ideal financial plan, you would be able to minimize risk and loss of money; minimize taxation on the money you accumulate; minimize taxation on the money you distribute; earn a rate of return on your money; have money available that you can use throughout

your life; have contingencies for death, disability, emergencies, and unforeseen factors; have economic certainty; have a systematic flow of money into your plan; and have the flexibility to make changes to your plan. You can do all of this with a strategy that integrates Cash Flow Insurance.

It's easy to get a loan if you have good credit, good collateral and good cash flow. But if one of those things is disrupted, then when it's time to get a loan, you are in trouble. When you utilize Cash Flow Insurance, you no longer have to apply for a loan. You no longer have to use your credit to take out a loan. You don't have to fill out a whole bunch of paperwork. You don't have to deal with a whole slew of obstacles—because you now have a system to access money inside your policy. It is your money that you can do with what you want.

Moreover, you have flexible payback periods. You get to choose how much and when you're going to pay back the loan. If the loan is utilized for business purposes, you may even be able to write off the interest! You can earn interest on your money while borrowing from the insurance company instead of paying interest to the bank, and you can build up your legacy plan and Rockefeller trust at the same time.

So don't sit on money earning less than one percent. Instead, store your money where you can earn better interest or collect dividends along the way, and even earn interest when you finance things yourself! Moreover, you'll have a tax-favored situation just like a bank would have if they were the ones storing your money.

"This is crazy!" you may be saying to yourself. "Is this really possible? Can I really have all of this? Can I really be my own bank and set up a family bank for the future?"

I'm here to tell you that you can—at least if you live in the United States or Canada. There is a way to create more liquidity, recover more cash, have much more predictability, and own the system rather

than becoming part of a system you can't control. I call it Cash Flow Insurance.

Cash Flow Insurance is a banking alternative that actually pays interest. It can create a structure to save on insurance costs from term life insurance, long-term care, or even taxes, and it can outperform the measly interest paid by the banks.

You can save money in a permanent Whole Life insurance product and coordinate those savings with all of your money-making decisions. You can use your own money instead of a bank's money, and set up a loan scenario where you are in control of your payback periods and using your cash value to access money from the insurance company.

Whole life insurance products are often guaranteed at four percent, plus a possible dividend, minus the cost of the insurance. Depending on your age, your health, and how you fund them, you will be able to net 3.75% to 5.25% on every cash dollar you put into the policy—as long as it is structured properly. Then, when you want to access the money in your policy, you do so utilizing a policy loan feature. This feature is exclusive to this product. No other product offered by a financial institution allows for you to borrow their money up to the amount of money you have in your policy and not interrupt the exponential growth of your accumulating cash. You can save your cash in an area that is guaranteed, protected and liquid to use for future money decisions that you will make anyway, but now you are the bank. You will hold onto significantly more of the money that is passing through your hands, which creates a very high rate of return.

And in fact—banks themselves use cash flow techniques very similar to the ones we're going to discuss in this book! Why should banks get all the advantages? Instead, rig the system in your favor by doing the very same things banks do with your money when you hand it

over. Basically, all you are doing is cutting out the middleman. When you put money in a bank, the bank puts a certain percentage of that money into life insurance as part of their reserve account. They do this because life insurance has tax favor and earns dividends that can lead to a higher interest rate than their other reserves. So why not just put money into life insurance yourself, and take the bank out of it all together?

Insurance companies have strict parameters on where they can invest the money in the general portfolio. They aren't allowed to invest it in anything too volatile, so they make more stable investments.

In fact, insurance companies are the largest purchaser of long-term corporate debt issued by corporations.

Moreover, if you want to borrow against or from the insurance company, all you have to do is make a phone call or send in a form. I have had my policies overnight me a check, or wire a check, or send a check by mail. Then, I choose when I want to pay it back. You can treat it just like any other automatic loan. You can choose when you want to pay extra, and choose when you don't. You never have to disclose that you took out a loan, so it won't affect your credit. It's the ideal loan. And the only requirements for getting the loan are that you have some cash in your policy to borrow, you can make a phone call, and you can sign a piece of paper. It's the easiest loan I have ever had!

If you utilize Cash Flow Insurance, and get everything properly set up, you'll be able to pay for your kids' college, pay off debt, finance your home or car, start a business, have an emergency fund—and earn interest the whole time. Cash Flow Insurance is instrumental in creating economic independence. It will increase your clarity and peace of mind by allowing you to know rather than hope. When you know that your savings are stored securely where they will have a guaranteed rate of return, you can make your financial decisions, run your

business, and plan your life in a different way than when you are just hoping. Then you can leverage that certainty in your planning in all other areas of your life.

So, do what the Rockefellers do. Make the choice to redirect the money you're currently saving, and reallocate those dollars into your Cash Flow Insurance system. This will allow you to have liquidity, savings, the death benefit, and the guarantees, and enable you to utilize your money along the way for future financial decisions, all while benefiting yourself instead of benefiting financial institutions. Guard against uncertainty, and stop feeling so stressed about finances. Get into a financial position in which you are free to choose the path you enjoy most. Ensure that your great, great, great grandkids know not only your name, but what your family stands for, and how they can live the best lives they have to offer. Find your path to financial independence, perpetuate your wealth, preserve your values, protect your family, and change their destiny—all through the Rockefeller Method, and by utilizing Cash Flow Insurance!

CHAPTER THREE

But Dave Ramsey and Suze Orman Said No!

There are probably no better financial pundits than Dave Ramsey and Suze Orman when it comes to getting a train wreck on track, or to build the necessary mindfulness of what is happening with someone's money. This makes a big difference. Eventually, though, cutting back can kill production. Eliminate value creation and the constraint leads to limited results. The Rockefellers don't take advice from Dave and Suze, and unless you are in a dire situation or a financial train-wreck, neither should you.

We know that some of you may have read the words "Whole Life insurance" in the previous chapter and raised your eyebrows. Even I once heard Whole Life insurance referred to as "a hole you throw your money into." Dave Ramsey and Suze Orman scorn permanent life insurance products. Ramsey has said that "cash value life insurance is one of the worst financial products available." Orman put Whole Life insurance in her top ten list of hated investments because "they literally do nothing for you, and do everything, in my opinion, for the financial salesperson that sold them to you." They advise against purchasing them, instead suggesting that you "Buy term [insurance] and invest the difference."

If this is what big-name gurus are saying, why am I saying the opposite? Are Dave Ramsey and Suze Orman just plain wrong? Well,

not exactly. Ramsey and Orman both believe in cutting back, in budgeting and sacrificing, in not spending too much. If the road to wealth is being price conscious and spending less, in a certain context they are right: in the short term, term insurance has a significantly lower price tag than Whole Life insurance.

However, I'm not interested in helping you nickel and dime in the short term. I'm interested in helping you find economic independence and security in the long term, for the rest of your life. And from that perspective, Ramsey and Orman couldn't be more wrong about Whole Life insurance.

According to Ramsey and Orman, financial advisors who sell Whole Life insurance are only in it for themselves and are selling these products to benefit themselves rather than you, the client. In some cases, that's exactly what's happening. Many insurance agents oversell permanent life insurance policies in order to get their commissions. But poor practices by salesmen who are either uninformed or greedy—as they oversell the commissionable aspect of the policy and undersell the overfunding—don't devalue the merit of Cash Flow Insurance. Finding a certified Cash Flow Insurance specialist rather than an insurance agent selling a product is key. This product is merely a vehicle that can be utilized due to its unique nature and features that are not available otherwise. This is about setting up your policy correctly, minimizing the commissions and maximizing the benefit and efficiency for the policyholder—you! And the truth is, the mutual funds that Suze Orman recommends over Whole Life insurance have fees that compound over time to be higher than the commissions are in the first place! In fact, Jack Bogle, the founder of Vanguard, has pointed out that if you start putting money into a mutual fund at age twenty-five, you can lose more than forty percent of your gains to fees by the time

you are sixty-five, and up to seventy percent by the time you are seventy-five. But Ramsey and Orman never seem to talk about that fact! They are too focused on scrimping and saving with budgeting, which leads them to give very generic and limiting advice on what you can do with your money. The risky claims financial gurus make comes after the money is saved, when the advice turns to investing. Dave Ramsey claims that you can get ten to twelve percent returns investing in a mutual fund. However, the vast majority of mutual funds don't get anywhere close to that. Moreover, there isn't any sense in comparing mutual funds or other savings vehicles to Whole Life insurance. Using Whole Life insurance as the foundation of your Cash Flow Insurance strategy isn't necessarily considered an investment. It's not one or the other. If you find an investment opportunity that will yield you twelve percent, you can access money from your Whole Life insurance policy to make the investment!

Storing your cash in a Whole Life insurance policy does not have to be the be-all, end-all of your portfolio. In fact, having amazing returns isn't even the primary reason to store your cash in a Whole Life insurance policy. Storing your cash in a Whole Life insurance policy simply allows you to become more efficient with your money. It gives you a solid and stable foundation while doing much better than a savings account….all while having tax efficiencies as well. It lays the foundation for perpetuating wealth and employing the Rockefeller Method.

Another strange claim Dave Ramsey has made against permanent Whole Life insurance policies is that the savings you build up don't go to your family when you die. This shows a great misunderstanding of how Whole Life insurance works. The truth is, as long as you pay your premiums, you are guaranteeing that your family receives the money.

If you get a five million dollar Whole Life insurance policy and pay your premiums, you are guaranteeing that your estate will receive that five million. Moreover, that number will increase as your dividends are paid and the value of your cash increases.

If you follow the advice of Ramsey, Orman and other financial gurus to "buy term and invest the rest," you will run into more problems. If you live to life expectancy, your insurance will not pay out. In most cases, your investments will not be protected from creditors. Your liquid savings will not earn more than one-percent interest. If you get sued, your mutual funds will likely be up for grabs. You will have to pay taxes on your gains from mutual funds. Your 401(k) or IRA will be subject to future income tax, plus it is a sitting duck for the estate tax.

Ramsey and Orman are focused only on spending less. But the truth is, spending less can end up costing you more. And really, nobody actually hates insurance—they just hate paying for it. People see it as a necessary evil, and they don't understand the benefits that insurance can provide. In fact, the best way to reduce insurance expenses is to buy as much of the right kinds as possible. There are three ways to deal with risk: avoiding it, retaining it, or transferring it. If you retain your risk in order to reduce expenses, you will almost certainly end up paying more in the long run.

The initial premium with Whole Life may be higher than what you would pay for term insurance, but it comes with much higher value—more benefits and guarantees—and it accumulates cash. When you buy your future net worth (the death benefit), the payout is guaranteed. You'll be recovering the cost of term insurance and gaining tax efficiency, all while dividends in the policy are beating the interest you would get in any savings account. You'll be protected from creditors

and financial predators in most states, and you'll be able to become wealthier by self-financing your purchases.

If all of this isn't enough to convince you, look no further than those folks in our title: the Rockefellers. CPA Sheila Brandenberg worked in the Rockefeller family office. In a recent email discussing Cash Flow Insurance, she wrote, "It's always interesting to me when you talk about the Rockefeller Method. I spent time at the beginning of my career working for the Rockefeller family in their family office. Thankfully, many of the strategies you speak about I am aware of, and [they] are commonplace and a matter of course in those contexts." The Rockefellers themselves know that a strategy using Whole Life insurance is the way to go.

Now, Dave Ramsey and Suze Orman are both incredibly smart people with great strengths. Ramsey is one of the best there is at helping people get their financial lives back on track when they are a complete mess. Orman is great at getting people to think more critically about what they're doing and why they're doing it.

But Dave Ramsey, Suze Orman, and other financial gurus' fears about permanent life insurance only apply to policies that are badly designed. They don't apply to a well-designed Whole Life insurance policy. In the next chapters of this book, we'll discuss how to design such a policy, and the advantages doing so will have for your financial future.

CHAPTER FOUR

What Cash Flow Insurance Really Means

So, what exactly is Cash Flow Insurance, the financial strategy at the core of the Rockefeller Method? It is a very particular and specific way of setting up Whole Life insurance policies that allows them to be supercharged. It is a way to grow your money almost effortlessly, and to have it work for you without having to worry about market losses. It is a banking system that gives you stability, security and liquidity.

Before I knew the phrase "Cash Flow Insurance," I actually bought an insurance policy and set up a similar system, without really knowing what it was. I was looking to buy a new car, and noticed that the previous year's models that were still on the lot were selling at lower prices, with killer incentives. I found a deal that allowed me to save $262 per month by leasing rather than buying the car with a sixty-month loan. So I took the deal, and put that extra $262 a month into an insurance policy. With the extra money, plus what I was saving on taxes, after thirty-nine months I was able to borrow cash from the insurance company based upon the cash value of the policy, and pay off the residual value of the car to become the owner. Then I took the money I would have spent on car payments and instead made a payment into the policy every month until the policy loan was paid off, and the money was back in my policy. From that day forward,

every car I bought I could finance myself, and capture wealth in the Cash Flow Banking system, rather than giving that money to a bank. It didn't matter what my credit score was; it was a completely private loan. And moreover, I now had money growing on a tax-favored basis!

That was the beginning. When I started an internship with Guardian Life, I started to learn a little bit more about Cash Flow Insurance. I read Nelson Nash's book, The Infinite Banking System, one of the first published pieces about how to use the cash value inside your life insurance policy to accelerate wealth creation. Wanting to learn more, I called Nash and had him fly out to Utah, and spent two days interviewing him. After spending some more time investigating this concept, I had Nash fly out again and talk to a small group of people. At the same time, I was going through a program on the economics of life insurance, reading all sorts of books on the subject, and traveling across the country studying it in depth.

By this point, I had heard the phrase "Infinite Banking with Whole Life." As I began to look at the other uses of life insurance beyond just financing and creating my own bank, I began developing this into a way to produce economic independence through what is called Cash Flow Insurance. I started to discover ways to increase cash flow now and in the future. There were so many other methods and strategies to find money and create safety and stability. I was already paying less in tax on earnings, I wasn't losing money if the markets started to go down, and if anyone decided to sue me or if there was ever a possibility of bankruptcy, my money was fully protected.

As you read more in the book, you will see there are exit strategies with business, capital gain assets or even ways to increase the cash flow from your other assets due to the death benefit that you acquire with Whole Life insurance. There are new provisions with the right

companies that can eliminate the need for long-term care insurance. Strategies continue opening up as you focus on building and creating cash flow rather than accumulating for thirty years into the future—or until age sixty-five—as retirement planning teaches.

Using this new Cash Flow Insurance system as the centerpiece of the Rockefeller Method, where you can set up a family bank, boost your cash flow, and reduce your risk, is what I want to share with you in this book.

Cash Flow Insurance has three key points:

1. **It safeguards your wealth.**
2. **It helps you grow your money and increase your cash flow.**
3. **It helps you enjoy your money today and tomorrow.**

In finance, we're usually taught that it's all about accumulation. We're taught that accumulating money for the long haul is the only way to grow wealth. However, Cash Flow Insurance allows you to both prepare for the future and live wealthier today. And in fact, cash flow is far superior to accumulation as a wealth-building strategy. Think of the Amazon River—a huge, flowing body of water, full of life, with whole civilizations built around it because of the richness of water that is constantly flowing and moving. Then, on the opposite end of the spectrum, think of the Dead Sea—no flow, no motion, and no life at all. That's the difference between the flow of cash flow and the stagnation of accumulation.

Accumulation entails setting money aside in an investment vehicle and hoping that it grows; cash flow, on the other hand, means that you are keeping your money working. You can see what's happening

with your cash flow and improve it. Cash flow means your money is tangible, coming in consistently, and that it is a reality today. It is recurring revenue. And it means that you can tell immediately whether your cash flow system is working—because if the cash flow stops, you'll know right away that there's a problem with the investment! With accumulation, you more or less just have to hope that it works thirty years from now.

Financial institutions have an agenda:

1. **They want our money.**
2. **They want our money on a regular basis.**
3. **They want to hold onto our money for as long as possible.**
4. **When it comes time to go get our money, they want to pay it back to us as slowly as possible.**

Every product and service that financial institutions offer serves that agenda.

Now, there are alternatives to Cash Flow Insurance in terms of saving and accumulating money. I've seen people do really well in municipal bonds. However, right now we are at one of the scariest times for municipal bonds that this country has ever seen. Some municipalities have defaulted on bonds—something that is almost unprecedented in this country's history. Orange County had a derivatives crisis and was going to default on their bonds, which changed bond rates for the whole state of California. Detroit defaulted as well. All of a sudden, what was once considered a very safe investment doesn't seem so safe anymore.

And in fact, what's most risky about municipal bonds is that if in-

terest rates go up, which they will likely do, then the value of the bond goes down. That's called capital depreciation, meaning you could lose principal value in your bond. If, on the other hand, your money is inside an insurance policy that you've overfunded, once dividends are declared, you have no capital depreciation risk.

Permanent life insurance as the foundation of your Cash Flow Insurance system stacks up extremely well when compared with other savings and investment vehicles. Savings accounts, certificates of deposit, checking accounts, money market accounts at brokerage firms—all of these offer some level of safety and liquidity. However, in order to be at all liquid, these accounts have a low yield. The highest yielding five-year CD rates available are just a little over two percent, and even that requires minimums of $25,000 to $100,000.

It is not easy to get a decent rate of return on a savings or investment vehicle that also provides you with protection. A Cash Flow Insurance system, however, has all of those features—plus a higher rate of return. A Cash Flow Insurance policy is a bit like a savings account with proper nutrition, exercise and sleep: it has the conditions to perform better. A Cash Flow Insurance policy is contractually guaranteed to grow at four percent interest—that's 400 to 1,000 percent of what a typical savings account currently provides! Above and beyond that, your non-guaranteed dividends can push up your returns even higher (which is why it is critical to overfund).

Moreover, Cash Flow Insurance policies are quite liquid, which more traditional money vehicles like CDs or real estate are not. Many deferred, qualified plans don't allow you to access your money, or if you do, you have to pay a ten percent penalty and/or pay taxes on the money you take out at your ordinary tax rate. Cash Flow Insurance allows you to have access to your money without penalties and with tax

advantages, so you can take advantage of that deal of a lifetime when it comes along. You should be able to have access to your money, for whatever reason you need it—whether it's a vacation to Italy or buying your dream home. Now, Whole Life insurance is not the only vehicle you can use to save money and borrow from yourself, but no savings vehicle has the same benefits as Cash Flow Insurance. Retirement plans could work, because you can borrow from them—but there is no guarantee of principal without moving to a money market at a very low interest rate. There's also no death benefit. There are strict limits on how much you borrow and on the schedule for paying the loan back, plus no ability to fund extra above the loan amount and thereby capture interest for yourself. Savings accounts at a bank could work, but they are currently paying less than one-percent interest. Certificates of Deposit and certain types of bonds offer better returns and are fairly well guaranteed, but would create penalties if you were to liquidate. There are some cases where you can get a line of credit or loan against a CD, but this still lacks key advantages since it will still be a lower interest rate.

I also don't like leaving money in a CD or a money market because it's subject to taxes, to creditors, and to low interest rates. Cash Flow Insurance offers a consistent, guaranteed return, along with powerful tax advantages and significant liquidity. With Cash Flow Insurance, it doesn't matter if interest rates go up or down, because when you have your cash value and your dividends have been paid, you are guaranteed a minimum interest rate. That means you won't have capital depreciation (you won't lose principal). You'll have stability and predictability. As a business owner, that stability and predictability is priceless. Personally, I constantly look for opportunities, and having a Cash Flow Insurance system allows me to take advantage of those opportunities.

I've bought into businesses, paid off real estate and credit cards, and purchased a TV studio and video equipment. I've used Cash Flow Insurance policy over and over. I've found a way to recapture all the insurance costs through my Cash Flow Insurance policy.

Moreover, if an insurance company goes out of business, your money is much more likely to be secure than it would be at a different type of institution. When Executive Life went out of business in the 1980s, no policy-holder lost money because another insurance company acquired all the accounts without having to pay commissions to build that book of business. And even if an insurance company goes out of business and another company doesn't buy it out, every state in the country has guarantees on death benefits and the cash value in policies.

Over all, insurance companies are much more stable and predictable than pretty much any other financial institution out there. As mentioned, the particular vehicle used for Cash Flow Insurance is an overfunded Whole Life insurance policy—a permanent insurance policy set up not for a set period of time but for the whole of your life. If you live to one hundred and twenty, this policy still works!

Life insurance policies were once incredibly common. After World War I, there were nearly 120 million life insurance policies in effect in the United States—that's about one for every US citizen at the time! People had these policies not just for the death benefit, but also for the cash value. They were so common that they even showed up in the movies—in It's a Wonderful Life, Jimmy Stewart's character bargains with his adversary using the cash value of his Whole Life insurance policy!

I like to get as much life insurance as an insurance company will offer on my life, and I like to put in as much extra cash as they'll allow. Once I have done that, I will insure my wife lives in the same way,

then my kids and even my business partners. Then, once the money moves above a certain threshold that I have set for myself, above what I need for my individual bullet fund or war chest, I decide where and when I am going to use that cash.

For an entrepreneur, a Cash Flow Insurance policy is most effective when used as an opportunity fund or war chest. It provides liquidity when you want it, and when you access the money, you don't have to write a business plan or go explain the opportunity to a banker. All you have to do is fill out a form, and within forty-eight to seventy-two hours, a check shows up. I've used it to pay off loans, to finance businesses, to do hard money loans, to secure inventory at a discount, to put down payments on real estate, or even to buy out partners in real estate. Then, once I've used the money on one of these opportunities, I restore the access to cash as quickly as possible at a very high interest rate—whatever the highest interest rate is that we've been charged—and thereby add money inside that policy.

Recently, a Cash Flow Banking specialist's client, who is a doctor, called up wanting to purchase a new x-ray machine for his practice. Remembering the cost of expensive equipment leases, he structured a policy loan to reflect a past lease. The $30,000 loan was ordered from the life insurance company with the signing of a paper. He purchased the x-ray machine and his corporation will make the monthly payments. And the whole time, he will be recapturing those high interest rates that in the past he was paying to someone else.

The last equipment loan analyzed had 19% interest—and that's common. Think for a moment about all the costly, high interest loans you have paid on in the past. Imagine for a moment having all that money in an account, with all the interest you paid. Yes, that is possible—and there will be plenty of ways to utilize this in your life moving forward, just like the doctor did.

Once your policy has built enough cash value—usually after one or two years—you can take out a loan against your policy at any time and for any amount up to the cash value. Notice that I said "against," not "from." When you take out a loan from your Cash Flow Insurance policy, you are not borrowing from your policy, but against it. Therefore, your policy continues to grow as if you hadn't taken out a loan at all—because you are not actually taking any cash out of the policy.

Moreover, you will never have to rush to pay back the loan. In fact, most insurance companies don't care if you miss a payment, or several payments, or even if you pay them back at all—because if you don't pay them back, all that happens is the balance is deducted when your death benefit is paid out. Now with that said, I will always encourage you to pay back the loan, allowing that money and more to be used for future loans. Moreover, borrowing against your Cash Flow Insurance policy will never affect your credit, since there are no such things as late payments. Additionally, if the loan is for your business, in most cases the interest you pay on it is tax deductible.

A Cash Flow Insurance system is considered a private account. If you have a child going to college, it won't affect your child's ability to get student loans. If the government changes the laws on retirement plans, it won't impact your money. When owned properly, a Cash Flow Insurance policy can enable you to pass more money on to other generations without incurring estate taxes. Cash Flow Insurance gives you a much better rate than what banks are offering, and your cash and death benefit is protected from lawsuits and bankruptcy in 40 of the 50 states. It allows you quick access to loans without credit checks, it provides tax-free money in retirement, and it allows capital preservation without risking principal.

Cash Flow Insurance has not only an excellent internal rate of return (which is the direct return of a particular investment and only

that investment) but an excellent external rate of return—a term that describes all the factors affected by an investment, including what it allows you to accomplish, tax savings, eliminating insurance costs, your mindset, your quality of life, and additional byproducts produced by your involvement in that investment.

Cash Flow Insurance impacts both the internal and external rate of return because it is about putting your whole financial house in order. It's about finding and fixing money leaks and learning to track and monitor your finances so you know exactly where your money is flowing. There are many ways to do this—up to and including an old-fashioned hand-written ledger! But my recommendation is to use a free online tool called Mint, which can be found at Mint.com, and which is an easy and effective tool for tracking finances. All you do is set up an account, put in your banking account information, and Mint will track all of your spending and generate reports, charts, and other organized information to help you understand the flow of your money. There are other online tools as well, including Quicken and bank websites. Whatever tool you decide to use, get started as soon as possible, and start upping your external and internal rates of return!

CHAPTER FIVE

Finding Money to Fund Your Bank

Now, you may be wondering—where do I find the money to fund this incredible Cash Flow Insurance strategy? After all, John D. Rockefeller made a fortune that he could leave behind.

It all comes down to managing your money. When you understand how your money is flowing, you can create a Mindful Cash Management plan. Some people call this a budget, but I prefer to call it a spending plan, because that focuses on expansion rather than restriction. We are taught that all expenses are negative, that they all need to be restricted; but in fact, not all expenses are created equal.

Expenses fall into four main categories:

- **Destructive expenses**, which are vices and weaknesses like drugs and gambling, but also expenses like overdraft fees or any expenses that have a negative effect on your life, that push you toward poverty or debt rather than prosperity.
- **Consumptive or lifestyle expenses**, such as going on vacation or buying a flat screen TV, are expenses that are fun and build memories, but that don't build income or assets. They're expenses that are just for enjoyment. I recommend always using cash for these expenses. It's important not to cut these expenses out. People are taught to wait until retirement to spend any of their hard-earned money, and that only in retirement can you really enjoy life; that's why there are so many misera-

ble millionaires! If you never spend any money, you won't be fulfilled, you won't have these enjoyable experiences. These expenses are good expenses—as long as they are managed properly.

- **Protective expenses**, which are used to protect your property and human life value, including your mindset and happiness. This is the area that most often gets overlooked. Protective expenses include your liquid savings, which should be enough to cover a minimum of six months' expenses. These savings won't be overly productive in terms of earning interest, but they will be there to protect you and prevent you from worrying about money every second. Other protective expenses include life insurance, disability insurance, medical insurance, auto insurance, and emergency preparedness.
- **Productive expenses**, which are expenses that allow you to expand your cash flow, grow your business, and build assets. They might be investments into your business, like hiring a great employee. It might be an expense like education, whereby whole new worlds of opportunities are opened up for you. They are expenses where if you put a dollar into it, more than a dollar comes out the other side, such as any investment that is an asset that creates cash flow and appreciates in value. These are expenses that are going to enhance your life now and in the future—not something that will dissipate, like a consumptive expense, or something that will lead toward poverty, like a destructive expense. These are expenses that lead toward profits and prosperity.

The goal with a Cash Flow Insurance system is to manage these

four types of expenses, such that you eliminate your destructive expenses, manage your consumptive and protective expenses, and increase your productive expenses.

When managing your finances, you have to make sure that you are investing in yourself before you start investing in things outside of yourself. Before you start handing your money over to retirement planners—even before you start sending your money into your retirement account—make sure that you have built your financial structure from the ground up.

Think of your finances as a three-level pyramid. Level one, the base level, is guarding against uncertainty. This is the area that includes your minimum of six months liquid savings, your life insurance, your estate plan, and your emergency preparedness. Without this foundation, all of your investments are at risk with any financial surprise or issue. Make sure you build level one before moving on to anything else in order to avoid being derailed or risking the loss of everything you have worked so hard for. Make sure that your foundation is secure, and that it can't be confiscated or lost through some unexpected circumstance or surprise.

Level two, the middle level, is building your Wealth Creation system. If you have funded all of level one, then it's time to figure out what to do with the rest of your money. Where can you put that money so that it will flow most effectively? What is the best way to preserve money for you? The best way to automatically build wealth is with an infrastructure and system.

And finally, level three, the top level is advanced investment planning, including discovering your Investor DNA, asset protection, legacy plans, and other growth strategies.

Part of managing your expenses and stopping leaks is to restruc-

ture your loans and manage your cash flow. For this, you can use a tool called the Cash Flow Index, which is a system to help you identify the most efficient way to pay off your loans. You can find your Index by taking the balance of your loan and dividing it by the minimum payment. If your Index is a low number, then it is not an efficient loan; it is a cash hog that requires a high payment relative to the balance. A higher number, on the other hand, indicates a more efficient loan.

Cash Flow Index

Inefficient Loans

Efficient Loans

Danger Zone

Watch Out Zone

Freedom Zone

0

50

100

300

$$\text{Cash Flow Index} = \frac{\text{Loan Balance}}{\text{Minimum Payment}}$$

When you find yourself with extra money that you want to put toward paying off a loan, don't just pick randomly which loan to put that money toward. Pay the extra money toward a loan with a low Index, an inefficient loan. Paying off a loan with a low Index has the potential to free up much more money, which could mean building savings faster, creating more liquidity, providing more peace of mind, reducing forced payments, and even improving credit scores which could improve interest rates on other loans. Moreover, the money you save monthly by paying off an inefficient, low Index loan can then be used to pay off other loans more quickly!

You may even delay paying anything extra to these loans initially. Instead, you can put the money into your Cash Flow Insurance system and then pay the loan off in full when there is enough cash in your plan. This not only saves you money, but also can create more wealth in the future as you build up liquidity, earn interest, and gain the benefits of Cash Flow Insurance.

When you are restructuring loans, look at refinancing to a lower interest rate or to a longer amortization term, so that the loan will be more cash-flow efficient. You can also manage and restructure your loans so that your loan interest is tax deductible, like with mortgages. If you restructure a fifteen-year mortgage into a thirty-year fixed rate mortgage, you can improve your cash flow, because the payment is lower today and the tax benefits of paying interest for a longer period of time could amount to hundreds of thousands of dollars in tax savings over time. On one hand you are getting tax deductions on interest, and on the other hand you are earning tax preferred inside of a Cash Flow Insurance policy. You can even take the money out against the policy and pay off your home if fifteen years was really your objective.

Putting your financial house in order also means creating the proper account structure. Ideally, you want to set up three types of accounts:

1. **Peace of Mind Account**—an account truly dedicated to providing staying power in times of tough cash flow. This account provides risk reduction and creates additional liquidity, enabling you to have money to handle unexpected surprises. It is essential that this account is completely separate from your checking account. This could be a savings account like those available through ING Direct and Ally Bank. The target

should be to have a minimum of six months' worth of savings total. I would recommend having four of those months in a savings account—yes, two months of this can be in your Cash Flow Insurance policy—one month in cash, and one month in coins or precious metals. That way, even if you run into a situation like identity theft where your accounts get frozen, you still have access to money to take care of your family until you can get back into your savings account.

2. **Wealth Creation Account**—an account focused on growing cash flow and improving the efficiency of your loans. Cash Flow Insurance is the best structure for a Wealth Creation Account and can be deducted directly from your Peace of Mind account. Your Wealth Creation Account can contain at least one month's worth of living expenses at all times, and is used for productive expenses like continuing education, paying off loans, and funding your Cash Flow Insurance!
3. **Living Wealthy Account**—an account that creates structure around preparing for events like travel and vacations. This is the account that holds the cash for your consumptive expenses. The target should be to start with three percent of your monthly take home pay into this account—money that can then be used for guilt-free spending.

Finally, there is a bonus account: a Charitable Giving account, which allows you to set aside money for charity, and for organizations and causes you believe in, and to support groups or activities that matter to you.

There's a law in finance called Parkinson's Law, which states that any time you have an increase in income, if you don't have a plan for that extra money, it will get eaten up in your living expenses. By

setting up the right account structure, you can capture your wealth instead of having it commingled with your living expenses and gobbled up.

One final element of putting your financial house in order: understanding your own money personality. There are five main money personality types:

1. **Saver:** A saver is fantastic at building wealth and saving money for the future, but they tend to focus more on worry and live with a scarcity mentality. For a saver, it's all about what you don't or can't do, rather than what you can do. If you are a saver, setting up a Living Wealthy account can help you allocate a portion of your income for guilt-free spending.
2. **Spender:** The spender is the antithesis of the saver. A spender may have five or ten credit cards and ten or twelve other loans. A spender wants to enjoy life at all costs, and has a tendency to overspend on consumptive expenses. Any money that comes in can flow out pretty quickly. If you are a spender, work to set aside at least ten percent of your income into savings. You can still spend and enjoy life, but you will set yourself up for success by taking the first ten to fifteen percent and putting it away, so that Parkinson's doesn't end up costing you too much.
3. **Avoider:** An avoider is someone who signs checks and bills without even looking. Avoiders tend not to want to deal with money, ever. It's a source of frustration, so they just push it off. If you have that tendency, hire a bookkeeper or a coach or a mentor, or find a friend or spouse who can take on that role and hold you accountable. If this describes you, congrat-

ulations for reading this book and not avoiding the topic of finance and money. This is a great step to find a middle path and have a better relationship with money.

4. **Giver:** A giver is someone who enjoys helping other people and giving to charitable organizations—but it can be to a fault. Givers often have internal belief systems that make them believe money to be corrupt or evil, or that if they have too much money, other people don't have enough. A giver's strength is being generous and giving; their weakness is giving too much and finding themselves in financial trouble. A proper structuring of accounts—including a Charitable Giving account—can help a giver manage their giving.
5. **Amasser:** An amasser is someone who does things in extremes. An amasser loves to make a lot of money and loves to spend a lot of money, loves to save a lot and loves to invest a lot. And if they can't do all of that every single month, it hurts their confidence. Amassers tend to think about money often. If you are an amasser, organizing your finances and understanding your cash flow can help ease your mind and keep you from being consumed with thinking about money. Create a second scorecard other than money. What makes you feel fulfilled? When do you feel best and what difference would you like to make in the world? By taking action in these areas without only considering how much money it will make, you can be a helpful amasser without having all of your self-confidence in your cash.

You are your greatest asset. Protect yourself and your mindset. Make sure you feel good about your foundation, and then you can be more productive.

Cash Flow Insurance is NOT a get-rich-quick scheme. This is about sustainable wealth. Lifelong wealth. Getting rich right. It's not an investment that is going to double or triple your net worth in a year or two. It's a system for building LIFELONG wealth, with a rock-solid foundation upon which you can build your overall financial architecture. It provides a safe, steady, and consistent way to grow your wealth, and with that stable financial foundation, you can stretch your wings and swing for the fences in your unique areas of knowledge and interest.

Financially successful people have the ability to grab hold of opportunities when they come along. Utilizing Cash Flow Insurance allows you to do this, as opposed to having to sit and watch opportunities fly by because you don't have the financial means to take advantage of the situation.

Many investments require a substantial amount of time to make them productive. Real estate, for example, is never passive. But with a Cash Flow Insurance system, once you implement the system, you can build wealth a little more on auto-pilot. You still monitor it and manage it to a certain degree, especially when utilizing it to make purchases and pay yourself back the interest. But for the most part, if it's set up properly, Cash Flow Insurance works on its own.

Regardless of your income, your goals for the future, or the cash flow restraints you may have today, if your Cash Flow Insurance system is set up properly and your financial foundation is well designed, Cash Flow Insurance can work for you. Whether you are putting in a hundred dollars a month or ten thousand dollars a month, a system can be designed to work for you. Even if you are living paycheck to paycheck and don't feel like you have any additional money left over—as long as you have some income, Cash Flow Insurance can still work

for you. Even if you have a medical issue that makes you ineligible for life insurance, you can set up a Cash Flow Insurance policy on someone with whom you have an insurable interest or direct relation—a parent, a child, a sibling, a spouse … or even a business partner!

Cash Flow Insurance is perfect for you if you are married or plan on getting married, if you have children or plan on having children, or if you are starting a business or plan on starting a business. It can help you pay for your kids' college, pay off loans, or finance your home or car. You can use it as a cash reserve for investing, as seed capital, or as your emergency fund. You can use it for short-term and long-term money management decisions. This can be the centerpiece for perpetuating a legacy with your trust and setting up a banking system for your family to capture interest for generations to come—interest that would otherwise have been lost to financial institutions. That's why it is at the core of the Rockefeller Method.

CHAPTER SIX

Why Whole Life Insurance Beats the Alternatives

There are many, many options out there for saving and storing your money. So why do I focus so much on the one, Whole Life insurance? What makes it so much better than the alternatives, like 401(k)s, IRAs, and the other types of life insurance that are available?

Most people put their money into a qualified retirement plan such as a 401(k) or an IRA. The problem with these plans is that the accounts are heavily invested in mutual funds. You may think that you have $50,000 in your retirement account, but what you actually have is $50,000 worth of shares in the mutual fund. If the market goes down, those shares could drop in value and all of a sudden your money is halved—which is what happened to many people in the 2008 financial crisis. Money kept in a Cash Flow Insurance policy, meanwhile, is hardly affected by the stock market.

401(k)s are also inferior due to their lack of liquidity. When you put money into a 401(k), it is locked away until you are fifty-nine and a half. It is possible to take a loan out of your 401(k) before then, but not without consequence. You may not be able to contribute to your 401(k) while you have an outstanding loan. If your money was earning at all while in your 401(k), you will lose those earnings while you have the loan out. And if your 401(k) is through an employer and you are laid off or quit that job, you may be left with sixty days or less

to pay off the loan, or be hit with a ten percent penalty plus a tax bill!

And the truth is, 401(k)s are on their way out. In 1970, about 45% of workers had a pension plan, which would provide a permanent income in retirement. But as the average lifespan grew, these pension plans became more and more expensive. By the late 1970s, companies began to switch over to 401(k) plans, which enabled companies to set aside money into the 401(k) as part of the employee's paycheck. Then, stock market returns would fund the employee's retirement, instead of the company having to do it. This worked well, as long as the stock market was also doing well—as it was from 1982 through 2000. But from January 14th, 2000 (the day the stock market reached its highest point in 2000) to January 14, 2015, the stock market was up 8.4%, adjusting for inflation—or just 0.54% per year. That return is not enough to fund a retirement! And so, like the pension, the 401(k) is reaching the end of its days.

There is only one method of saving money that has survived for over a hundred years, that lasted through the Great Depression and through the 2008 recession, and that is still going strong today: Whole Life insurance.

Mutual funds, ETFs, 401(k)s, and IRAs have only been around for a few decades. Life insurance, on the other hand, is one of the oldest financial products in existence, with sales beginning in the U.S. in the late 1760s. It has survived two world wars, a revolution, a civil war, depressions and recessions.

During the Great Depression, over nine thousand banks went bankrupt. By contrast, only two percent of the total assets of all life insurance companies in the United States became impaired between 1929 and 1938. In fact, the strength of the insurance industry is a big part of what helped the economy survive and recover. The same thing

happened during the 2008 financial crisis. Of the safest insurance companies, only 1% had investments that were "non-performing." The financial crisis did not affect these companies, and they were able to continue paying out dividends.

Not all life insurance companies are created equal. There are two types: stock life insurance companies and mutual life insurance companies. As the name would imply, stock life insurance companies trade on the stock market, just like any other public company. Hartford, MetLife, and Prudential are all stock life insurance companies. Mutual life insurance companies, on the other hand, do not trade on the stock market. You can't buy them in your 401(k) because they have no shares. They're similar to credit unions, except the policyholder is an owner in the insurance company.

For good reason, mutual life insurance companies are my preference of the two. Stock life insurance companies, while they want their customers to be safe, also want to give their stockholders higher returns on their investments or split dividends between stockholders and policyholders. In mutual life insurance companies, on the other hand, the policyholder is an owner, not the stockholder. Profits are not split with any outside shareholders. While they still generate profits, stability and safety are the ultimate goals ... and all the profits go to the owners—i.e., the policyholders.

Mutual life insurance companies are among the oldest companies in America. Of the top thirty-five life insurance companies in the country, the average age is 106, with the oldest being 177 years old. Nineteen of the top thirty-five have been in business for over a century. As these numbers would indicate, these companies are incredibly stable. Statistics drive the profits; as long as the equations are correct, these companies make predictable profits. They have a very small part

of their accounts in the stock market, so their value isn't as volatile as the stock exchanges. And since there are no shareholders, Wall Street analysts and money managers cannot pressure these companies into making short-term, shortsighted decisions. Therefore, these companies are free to pursue long-term strategies and are able to be conservatively managed. They don't use margin and leverage, and they generate large amounts of cash, which they pay out in large dividends every year.

Life insurance is at the heart of building financial security and independence today and for the future. But most people don't understand it—and therefore many don't consider it essential or important at all! The number of people who have life insurance has fallen from 72% in the 1960s to just 44% in 2010. People tend to fall into four categories when it comes to insurance: they hate it and avoid buying it whenever possible; they hate it but begrudgingly buy the minimum amount; they like it but don't use it properly; or they understand it, love it, and use it to its full potential.

Before I get into more detail about the different kinds of life insurance, the most important aspect of insurance is buying the right amount. Only after you determine the right amount should you even think about the right type. The first concern when buying life insurance should be buying the proper amount of death benefit: when making this decision, you must consider not only price, but cost and value. Price is what we pay; cost is the actual bottom line. We are a price-sensitive economy—just look at Black Friday, when people buy things they never intended to buy just because they're low-priced! But low price often comes at high cost. The levies in New Orleans are the perfect example: they were built and maintained at a low price, but the cost when they broke during Hurricane Katrina was much higher.

It would have been better to have the higher price and better levies.

The difference between price and cost is pretty easy to understand; the concept of value is much harder for most people to grasp. Value is the real overall effect—not just the internal rate of return, but the external rate of return as well; not just the money, but the larger effect across all areas of life. Most people—strategists and policyholders alike—only look at the price of permanent insurance. They ignore the cost and the value.

When you are buying insurance, you have to consider the value of what you are buying, not just look for the cheapest premium. If insurance didn't cost anything, most people would get as much as they could get. It's usually not a matter of whether people like it or not; they just don't like paying for it. But I'll tell you where you really pay for it: when you don't have the right amount and something happens to you. Ask yourself, if price weren't an issue, what would I want to protect my family and my own economic or human life value? Plan for your best-case economic value—and how you can replace that value, the income that you are currently earning, if something were to happen to you. If you died, would you want to leave your family in the same financial situation they are in currently, a worse financial situation, or possibly a better financial situation?

Human life value represents your economic value to the world. Think about how much money you are making on an annual basis today, and about the services you are offering to your clients and the people around you. How much value would you take away from the world if you were to die tomorrow, versus if you were to live and work for another thirty years? That is your human life value. We'll talk more about how to calculate and determine what is the right amount of insurance in the next chapter.

Now, when it comes to types of life insurance, there are two categories: term insurance, which covers you for a limited period of time (or term), and permanent insurance, which covers you for the entirety of your life. If you don't know what kind of life insurance to get, don't understand the options, and don't plan to read the rest of this book, term insurance is probably your best bet, for now. But if you are going to continue reading and learning how to make the most of your life insurance, then term is not the best way to go over time.

Term insurance is basically a bet—policyholder versus insurance company. The policyholder is betting on a death (his or her own, usually); the insurance company is betting on survival. If the insured person dies in the allotted time or "term," the policyholder wins the bet, and the beneficiary gets the money. If the insured person survives, the insurance company wins, and the policyholder loses all the payments they made.

Now, policyholders make this bet knowing—and hoping—that they will probably lose. So why do they make it? Because it's cheap, and they know they are providing financial protection for their family if the insured person dies. Term policies are therefore the most popular type of insurance policy today, with tenor twenty-year term policies being the most common. Of all of the term policies purchased—of all of these bets made—only 1.11% end with a payout to the policyholder. In other words, the insurance company "wins" the bet ninety-eight plus percent of the time.

One of the most popular pieces of advice about buying life insurance is to buy term and invest the difference. Financial planners tout it all across the map. Retirement planners teach this strategy because the premiums on term insurance are so much lower than those on permanent insurance, especially in the early years. So their advice is to

buy the lower premium term insurance, and invest the difference in cost into a security or another investment vehicle.

Here's the problem with this strategy: Let's say you bought a thirty-year term insurance policy with a million dollar death benefit. Your goal is to maintain this death benefit for the thirty years, invest the difference, and then cancel the term insurance. The interest rate you would have to make on your investment in order to match what you would make using a Cash Flow Insurance Whole Life insurance policy would be a whopping 9.8%. It is highly unlikely that you are going to find that percentage in any investment vehicle, net of fees, taxes and let alone a safe, stable, and liquid one!

Term insurance, in general, is very problematic for a number of reasons. First, the cost of term insurance rises dramatically over time. If a thirty-year-old buys term insurance, when that term expires, their rates may be more than ten times over the original premium. So buying a new term insurance policy becomes prohibitively expensive over a person's lifetime. So when you are likely to use it, it becomes out of reach. Indeed, by the time a person reaches retirement, they may find that their term premium payments actually exceed their death benefit! If you look beyond the low cost of the early years of term insurance, you'll find that, when considered over an entire lifetime, it's actually one of the most expensive types of insurance on the market: low initial price, very high cost for those who live.

There is a particularly dangerous subset of term insurance that you may want to avoid: group term insurance. Group term insurance works through aggregate rules. This means that if a large number of people in the group policy die at the same time—such as what happened in the tragedy of September 11, 2001—the firm can hit its aggregate, and the insurance company will only pay out a certain

amount total to the group. So even if each individual had hundreds of thousands of dollars of insurance, the company might cap the payout to the group at a million dollars, so under a catastrophic circumstance in which too many people die, the widows, widowers or heirs only get half or a third of what they thought they were going to get.

Another problem with group insurance is that usually the policy is not portable. Often, if you're in a group where you are younger and healthier than the group average, you are going to pay higher rates because of the aggregate health of the group. In some cases, when this benefit is offered with your employment, it's worth taking. But when you are looking to buy insurance, group policies are not a good bet.

So why do so many retirement planners recommend buying term and investing the difference? Many retirement planners make their money on assets under management and may not get paid on the insurance. They may not be educated on insurance, just as many insurance agents don't have the same level of expertise with retirement plans and investments and therefore may only focus on insurance.

With term-and-invest-the-difference, the entire strategy is based on dropping life insurance coverage anyway as a person ages and builds their assets through their investments. Term policies are designed specifically to be dropped, with the assumption that once a person retires, they will have plenty of assets with which to care for themselves, their kids will be grown and financially independent, and they will no longer have any income, so they will no longer need income replacement coverage. This is what is commonly known as being "self-insured."

To be "self-insured" is a fallacy; a person is either insured or not. More-over, a person doesn't cease to have human life value just because their employment income stops. Term insurance is focused solely on protecting income, rather than protecting human life value. The

truth is, the more assets a person creates, the more they will want to have the protection of insurance (just like the Rockefellers). It moves from income replacement to asset and legacy insurance—a topic to be dis-cussed further in Chapter Nine.

Many retirement planners would respond to this by saying that a person can create even more assets by investing the money they would have spent on a permanent policy in things that have a higher rate of return. It is true that there are investments that could yield higher returns; you could potentially get ten to twelve percent on real estate or during certain periods with a mutual fund, while the guaranteed interest rate on a Whole Life policy is only four to five percent.

However, these numbers alone don't take the whole picture into account. If you bought a thirty-year term policy for $750 a year, and then dropped it after the term, you would have spent $22,500 on premiums. You are never getting that money back. What's more, you have lost the additional interest you could have made on that money had you saved it. And even worse, you have also lost the amount of the death benefit you dropped— and depending on your situation, you may not be able to qualify for insurance coverage again, so you may have lost your chance of having a death benefit at all.

Above and beyond this, permanent life insurance policies also provide all the benefits I have discussed, benefits that you can take advantage of during your lifetime, including tax protection, disability protection, long-term care replacement, lawsuit protection, and the ability to utilize the cash value. Term insurance, on the other hand, carries no cash value within the policy, and has no tangible living benefits. Moreover, permanent Whole Life policies provide that priceless asset: certainty. And that certainty can make you more productive in all areas of your life.

Unlike term insurance, permanent life insurance is not a gamble. There is a 100% chance that the insured person will die, and permanent life insurance is designed to remain in force until the insured person dies. If you buy a million dollars' worth of permanent life insurance, unless you cancel the policy the insurance company is guaranteed to pay out that million dollars (or more) someday.

In order to make this payout, the insurance company collects money from you—in the form of premiums—while you are alive, and invests that money. Basically, permanent life insurance is like a savings account—somewhere you put your money and grow it until you get it back again when you die. It's just a savings account that has a much higher return, due to dividends, than most. The return is tax-favored, and as a policyholder you are an owner in the company, so you receive a share of the profits.

Of course, the question that most people have is, "What's the use of saving my money like this if I only get it back after I'm dead?" Well, the truth is that you can use the money accumulating in your policy any time you want by withdrawing cash value or taking a loan out against that cash value in your policy, as discussed. Unlike term life insurance, where your premium money is gone forever, the premium money you are putting into a permanent life insurance policy is still yours to use while you are alive, and it will 100% certainly be returned to your beneficiaries after you die. No lost money here!

All this being said, not all permanent life insurance policies are created equal. There are three main types of cash value life insurance: Universal Life (indexed or fixed), Variable Universal Life, and Whole Life.

Universal Life policies include an annual, renewable term insurance policy bundled together with a savings or investment compo-

nent. Essentially, Universal Life is term insurance with a cash value. Ideally, what happens with a Universal Life policy is that the investment portion will eventually fund the insurance policy, with leftover money helping to fund your retirement. While it does provide some tax advantages over term insurance, you may still end up having to pay higher and higher premiums as you age—either that, or the cash in the policy will start to go toward the cost of insurance and your cash value will diminish.

Since the insurance is an annual, renewable term insurance, every single year it can increase in cost. This means that whatever money you are putting into your policy, each year more of it may go toward the life insurance and less toward the investment. Moreover, if the market is not performing well or other conditions are not ideal, policyholders often end up paying big premiums in later years to keep the policy going.

Universal Life policies have flexible premiums and adjustable death benefits. The rate at which the cash value in these policies grows is determined by the insurance company, and is based primarily on fixed income rates. This means that the insurance company can change both the rate of return and the cost of the insurance—which can result in predatory practices. The increase in the cost of insurance and the lower interest rates that are possible in a Universal Life policy can easily result in an increased premium or a lapse in coverage. If coverage does lapse, policyholders might not only lose the policy, but in rare cases can also end up having to pay taxes on any growth in cash value.

The death benefit in Universal Life policies is also not absolutely guaranteed. Although you can add a guaranteed death benefit rider to your policy, if you miss a payment or borrow against your cash value, the majority of those riders are negated and the guarantee is voided.

So Universal Life policies can work, but carry unnecessary risk unless you pay back the money you borrow, never miss a premium payment, or never borrow against your cash value.

There is another kind of Universal Life policy called Variable Universal Life, or VUL. This was the first life insurance policy I ever bought, when I was eighteen years old. A VUL has cash value that is invested in market subaccounts, and has adjustable premiums and death benefits. The subaccounts vary with market performance, hence the name "variable." Basically, it is a Universal Life policy with the added opportunity to invest in the stock market.

Here's the problem: unless you are someone who really understands the market and plans on actively managing those subaccounts, you would be more of a gambler and not really an investor. Even if you understood and had ability in the market, you would still have to deal with additional complexity of the VUL due to the expenses of the policy and increased costs against the policy in a down market. There is limited stability and almost no control over your returns in a VUL.

The decline in the markets can be hazardous—it can result in an increase in the cost of insurance—which the policyholder must pay for, usually by selling off shares of their subaccounts. Of course, a market decline would mean shares are worth less, which means the policyholder would have to sell more shares.

When I purchased a VUL, I was told that if it earned eighteen percent, annualized and compounded for forty years, a mere seventy dollars a month could make me a multimillionaire. What I learned, very quickly, was that the success rate for this scenario was approximately no chance in hell. It wasn't long before I started calling it Very Ugly Life, instead of Variable Universal Life. According to my senior thesis in econometrics, VULs had a 97.8% failure rate.

If your subaccounts go down in value, your net amount of risk goes up (insurance death benefit minus your cash value), your average share value goes down, and the cost of insurance goes up. VUL insurance exposes you to the risk of the market, which exposes you to rising cost of insurance. You have no guarantees because you may have to pay a higher and higher premium to keep your death benefit, all while your cash value is decreasing. There's no guarantee on the interest. It's an incredibly high-risk policy. This information is hard to come by if you talk to people who sell VULs. The illustrations and proposals typically show a much higher rate of return. Why? Because it doesn't show volatility (market ups and downs) or it shows much higher returns than actually occur in the market. There are too many variables and factors that can destroy these projected numbers in a moment. Fortunately, my pain is your gain. You invested in this book and can learn the easy way. And if you are already in a VUL structure, a certified Cash Flow Insurance specialist can discuss your options with you.

If you want certainty, it's much better to have fewer moving pieces. That's where Whole Life insurance comes in. Rather than being composed of renewable term insurance, Whole Life, as the name suggests, provides coverage for the policyholder's entire life, guaranteed.

Like Universal Life and variable Universal Life, Whole Life insurance has a cash value. However, in Whole Life, insurers include additional guarantees from a minimum rate of return on that cash value to fixed premiums and a guaranteed death benefit. The top differentiating factors are that the premiums and the cost of insurance are fixed through the whole length of the policy, guaranteed.

Whole life is not as flashy on paper as Universal Life or Variable Universal Life. People are led to believe high returns only come with high risks, so words like "guarantee" and "low-risk" make people think

only of low returns. But the truth is, certainty, when understood and utilized correctly, has huge economic value. Whole life gives you control and certainty, and it transfers more risk away from you than any other life insurance contract. In a universal or variable universal policy, the insured takes on more risk when conditions change; in Whole Life, the insurance company takes on that risk.

A Whole Life insurance contract is a unilateral contract, meaning that once you have it and know what your terms are, the insurance company can't change them on you, even if your health changes or the company's situation changes. The insurance company has to honor the promise they made to you up front.

Whole life provides more certainty than any other life insurance contract. It is not affected by market fluctuations, the cost of insurance will never increase, and insurers can't take back dividends, or ask for higher premiums, or take away the death benefit. Even if you miss a payment, the guarantees are not negated. The premium is just taken out of the cash value, and the death benefit remains guaranteed—another reason it is critical to fund the policy properly, as it will give you more flexibility earlier. Along with that certainty come tangible economic benefits during your lifetime, especially compared with the popular "buy term and invest the difference" strategy. With some simple calculations, it's easy to see how utilizing Whole Life as the centerpiece of your wealth infrastructure and savings strategy can outperform the popular "buy term and invest the difference" strategy. Check out Appendix 1 to see exactly how these calculations can play out to give you a permission slip to spend your assets and no longer be held captive to living off interest alone.

With a Whole Life insurance policy, you have a guaranteed minimum interest rate, premiums that are guaranteed never to go up, a

guaranteed death benefit, guaranteed cash value, and guaranteed access to that cash value. You have the ability to spend more and enjoy more in the later years of your life. And you have the certainty of knowing versus hoping, which has far-reaching benefits across all areas of your life, economic and otherwise—and benefits that reach beyond your life, and on to the lives of your descendants, just as the Rockefellers have done.

CHAPTER SEVEN

Setting Up Your Family Bank and Cash Flow Insurance the Right Way

The Rockefellers used a network of trusts and a family office to keep their fortune alive. And today, if your family wealth is in the tens-of-millions of dollars, then you can hire a Rockefeller-style family office to manage your wealth, too. Or there is the Bessemer Trust to manage your family's wealth, as you'll read about in this chapter.

But what if you're not ready for the Rockefeller-style family office, or maybe you just want something more personalized to you and your family's values? What then? If you have Cash Flow Insurance and leave behind a sizable sum of money, how do you protect the family fortune after you are gone?

First, a board of trustees can be created to help manage the family wealth if you're not around to do so. A board of trustees is a great way to make sure your family turns out like the Rockefellers rather than the Vanderbilt family.

J.D. Roth started a popular website in 2006 called "Get Rich Slowly," which Money magazine once named the web's most inspiring personal finance blog. By publishing his personal finances online, he let the world watch as he paid down $35,000 in consumer loans. And he didn't just highlight his successes. He shared his failures, too—like the time years earlier that he inherited $5,000 and spent it on a new computer and video games, rather than chipping away at the $20,000

he owed to his credit cards.

There's a clear lesson there: inherited money doesn't change a person's relationship with money, it enhances their relationship. A spender who inherits money is going to spend it. A saver is going to save it. An investor will invest it, and so on.

So if you want to implement the Rockefeller Method and leave behind generational wealth for your family, how do you protect the wealth from heirs who aren't ready to manage so much money? How do you make sure your descendants have wealth and opportunity, but not the opportunity to throw Great Gatsby parties in waterfront mansions?

The Rockefellers designed trusts to protect the family wealth. But a trust is a trust because you're giving up legal ownership of assets and entrusting them to someone else. Is it still possible, then, to maintain some control over the family wealth and make sure it is preserved?

Yes, and for my trust, the answer is to look at the trust like a corporation, complete with a CEO and a board of trustees.

MY TRUST

The CEO and Board of Trustees for Your Trust

Today, I am figuratively the CEO of my trust. It's not an actual position and you won't find me appointed as "Chief Executive Officer" in my trust documents. But during my lifetime, I will be fulfilling the responsibilities of a traditional CEO for my trust.

A CEO typically has three key responsibilities: to establish the company vision, to establish the company culture and to look after the shareholders' financial interests. And that's exactly what I do for my family trust. I've established the vision by thoroughly writing it down

in my Statement of Purpose. I've established the culture by setting an example for my kids, and one day their kids. And I'm the one adding money to the trust and guiding it for the benefit of my heirs. My trust also states that during my lifetime, I have the power to overrule any withdrawal from the trust. So while the trustees have the legal right to distribute assets from the trust at any time, they can't do it without my approval.

At some point, however, I won't be around to personally protect the family trust. What then? Again, look to the example of a corporation. A corporation may have a board of trustees who are bound by company bylaws. These bylaws may give direction on selling the company, or what to do in case of a hostile takeover or how to handle misbehavior from someone within the company. If the bylaws don't spell out exactly what to do, the board can vote on what action to take.

Well, your trust can have a board of trustees, too. And if you choose your board carefully, and give them specific instructions when appropriate, your board of trustees can protect the family wealth for you after you're gone. Your board of trustees can vote on when to approve distributions to heirs, when to sell assets or businesses, and how to handle lawsuits against the family. They can even decide to stop giving distributions to an heir who may have a drug, alcohol, or some other problem that would make access to more money destructive.

Choosing a Board of Trustees and a Trust Protector

Clearly, selecting the people who will protect your family wealth after you're gone is not a matter to be taken lightly. You must think about those that best understand your financial philosophy, who will respect your wishes and who will best represent the choices you'd make if you were still around to make them.

My advice is to start with people who share your values and can teach those values to the next generation. Another way to think about it is if you were to start a company today, who would you partner with or put on the board of directors?

You can see the members of my board of trustees here in an actual excerpt from my trust documents:

> **A. Appointment of Initial Trustee.** I appoint a Board of Trustees collectively acting together as if they are the Trustee as described within this Trust. Unless otherwise indicated, the Board shall make decisions by a majority vote in number. The board shall consist of the following people: **Moe Abdou, Derick Van Ness, Dale Clarke, Rich Christiansen and Ryan O'Shea.** Rich Christiansen shall act as the Chairman of the Board of Trustees. There shall always be an odd number of Trustees serving on the Board of Trustees hereunder.

I chose this board because each member represents knowledge or a characteristic that I share with them that they can teach to my kids or grandkids if I'm not around to do it. Derick Van Ness can teach living Soul Purpose and how to run a business in a way that leaves you fulfilled. Rich Christiansen is a fantastic example of teaching kids values and how to be a responsible human being. He's also an expert at bootstrapping successful businesses, which he's done dozens of times. Moe Abdou specializes in advanced financial strategies like premium financing and private banking—and has the contacts to help implement the wealth strategies of the wealthy. Dale Clarke is fantastic with details and deeply understands my financial philosophy. And Ryan O'Shea is the rare investment advisor who understands how I feel about investing in 401(k)s and IRAs full of mutual funds.

All five of these men have spent time with my kids and family

and understand what we're all about. I chose Rich Christiansen to be the chairman of the board of trustees because I believe his personal qualities fit the job requirements, and he has experience as chairman of the board with multiple organizations. If I pass away, Rich's responsibilities as chairman will include calling the board together when there's an issue that requires action, making sure appropriate decorum is followed during meetings, guiding decisions in a way that matches my wishes and making sure all decisions by the board are enacted.

But what if my board of trustees, despite all the evidence that they will follow my wishes, decides to go rogue and start investing the family wealth in some wild investing scheme I would never have approved? Of course, I'm confident this will never happen. But in case the board votes to do something that would put my trust in jeopardy, I've appointed Andrew L. Howell, Esq. as my trust protector. Andrew is not a trustee and doesn't vote on how to manage the trust, but he can overrule the board whenever he believes they're not acting in the best interest of the trust. He can also remove and replace trustees who no longer seem to be acting on my wishes for the trust.

So by creating a carefully-chosen board of trustees and appointing a trust protector, all of whom know me and my financial philosophy extremely well, I can feel confident that my family trust will be managed responsibly even after I'm gone. Through the years, the members of my board of trustees or the trust protector may change, but the philosophy will not. The legacy I leave for my family will carry on.

Other wealthy families have utilized the same method employed by the Rockefellers—such as the Phipps family. Henry Phipps grew up in the same neighborhood as Andrew Carnegie. Phipps was known around town for being a shrewd financier, so when Andrew started the Carnegie Steel Company, he made Henry Phipps a business partner.

This made Phipps a very wealthy man, as he was the second largest shareholder of Carnegie Steel, one of the richest companies in American history. A believer in philanthropy, just like the Rockefellers, Phipps gave much of his wealth away. But he also believed in leaving a lasting family legacy for his five children and their descendants. And that's why Phipps founded the Bessemer Trust in 1907.

The Bessemer Trust was created to be the family office for the Phipps family. Their purpose was to manage the family finances in order for the wealth to last for generations. By all accounts, and six generations later, the Bessemer Trust has succeeded. In fact, Henry Phipp's great-grandson, Stuart S. Janney III, is the current chairman of the board of directors for the trust.

A letter from Henry Phipps to his son, Henry Carnegie Phipps, written shortly after the trust's founding, has been immortalized for its wisdom and foresight. Here is the letter, reprinted in its entirety:

Henry Phipps
87th Street & Fifth Avenue
New York

June 16, 1911

My dear Hal,

I have today transferred to your name two million dollars $2,000,000 in bonds and two million dollars $2,000,000 in stock of the Bessemer Investment Company which I wish you to regard as a trust from me for the benefit of yourself and your children after you. It is my desire that neither the stock nor the bonds of the Company shall pass out of my family and that you will agree among yourselves that the others shall have an opportunity to buy at a fair price the stock and bonds of anyone before a different disposition can be made. I hope that the management of the affairs of the Company shall meet with approval of each one but should a difference of opinion arise I desire that the judgment of a majority of you shall be controlling on all questions of policy. I advise that you approve action by the Board of Directors of the Company in reserving all net profits as additions to surplus account and in declaring no dividend on the stock for at least ten (10) years. I urge upon you to live within your income and not to be a borrower on your own account or through the Company.

Realizing that changed conditions may arise which will require freedom in action to meet them I have not fixed rigid limitations as to possession and control of this property but have indicated my earnest desire that a prudent and conservative management of the Company shall be maintained and enforced and that each of you shall put proper restrictions upon your expenditures and lay aside a reasonable proportion of your income. I have full confidence that this advice will be respected and followed by all of my children.

Your affectionate father,
Henry Phipps

One slice of insight is Phipp's choice not to include "fixed rigid limitations" of the family assets. While the Vanderbilt story shows that giving free reign to family members and allowing them to spend a fortune can be disastrous, there is wisdom in not fixing rigid rules for the future. Andrew L. Howell, Esq., shared a story of a family trust that left money for education ... but the family didn't foresee the changes that would take place in education, like the cost of computers, software, fees or travel. The rigid rules meant some expenses couldn't be paid for.

It's impossible to write specific rules for a future you do not know. So there is some wisdom in trusting your heirs to make good decisions utilizing the intellectual legacy you've also left behind. Like so many things, harmony, adaptability, and philosophy are key.

At the heart of my estate plan and the Rockefeller Method is insurance. Insurance is a tool, not an investment. If you don't understand the tool, it won't be very helpful. Cash Flow Insurance is the strategy for maximizing the tool of life insurance. Cash Flow Insurance doesn't work because of the product. It works because of the strategy, through looking cohesively and comprehensively at how things work together. Your overall financial blueprint should guide your financial decisions. Financial planning is not one size fits all— although unfortunately many planners seem to look at it that way! Figure out what your vision and goals are, who you are and what you want to accomplish, and then see how a Cash Flow Insurance policy can play a role. If you look at strategy and integration, Whole Life insurance makes sense. If you look at it as an individual, isolated product, where you merely leave money behind when you die, you miss the power and cash flow that it can unlock.

Only one out of every hundred people have their policy structured

properly, and most don't even know about the Rockefeller Method. A Cash Flow Insurance policy can be an amazing tool if you understand and properly utilize it; or it can be dangerously expensive if you don't.

The first step when setting up a Cash Flow Insurance account is to pick a company with which to purchase your policy. Here are some factors to look at:

- **Ratings—don't go for any company with less than an A rating across the board—with Moody's, A. M. Best, Standard & Poor's, etc. Choose a top ten to fifteen mutual insurance company.**
- **How old the company is—we would only recommend companies that have been around at least a hundred years.**
- **Make sure they pay dividends, and that they have a solid history of always paying dividends, including through the World Wars, the Great Depression, and the 2008 financial crisis.**
- **Check their current interest rates on the loan provisions and make sure there is a fixed option; you don't want a variable interest rate.**
- **Make sure there are no unreasonable charges for withdrawal or fees for borrowing money.**
- **Make sure their term insurance rates are competitive and convertible to their Whole Life policy.**
- **Make sure they have a good Whole Life product or portfolio.**
- **Go for companies that have high early cash value.**

Make sure there are minimal fees or expenses for overfunding or overpayment, or other obstacles standing in the way of easily overfunding your policy

There are about a dozen or so mutual life insurance companies that fulfill all these requirements.

When you are ready to purchase your life insurance, the next step is to determine how much is right for you. The first mistake people make when acquiring insurance is not maximizing coverage. If you wanted to make Cash Flow Insurance work as quickly as possible, you would get a low amount of insurance coverage and then overfund your policy as much as possible. However, fully protecting your human life value with the proper amount of death benefit should absolutely be your number one priority. It also locks in the opportunity for conversion and increasing your Cash Flow Insurance strategy in the future. Before you even consider Cash Flow Insurance, maximize your insurance protection.

Insurance is, first and foremost, a tool to protect your family, and to replace your income if something should happen to you. Some people may think a million dollars of life insurance sounds like a large amount; but if you think about never earning another dollar in your life and what the lost income would amount to, a million dollars doesn't sound like so much anymore.

As discussed in the previous chapter, it is essential that you figure out what your human life value is and protect that first—and then figure out what type of policy is best for you. Your human life value includes your character, health, knowledge, experiences, education, judgment, initiative, and ability to produce value for others. Your human life value is the creator of all the physical things that you enjoy—your home, car, clothes, and furniture. All value results from the

utilization of property from a human being. Any income you produce and property you own, you have because of your human life value. Protect your human life value, your economic value, and your security through maximization of coverage first. All other considerations come second.

There is no way to be over-insured with life insurance. If you have a $10,000 car and insure it for $30,000, it would be over-insured; there would be too much incentive to crash the car. If you have a million dollar home and insure it for $1.5 million, there is exposure to the insurance company. For some people, there would be an incentive to burn it to the ground and make half a million dollars. Similarly, insurance companies that are insuring property will not over insure you. The definition of insurance is the indemnification of a loss, or what would be lost in the event that X occurred? They will assess the value of the asset and insure it for that amount or less (and no more).

But it's hard to overestimate and easy to underestimate the value of your life. Whatever amount of insurance a company will quote you, it will be shortchanging your actual value. Why? Because they will base it on a snapshot of where you are now. They won't factor in the fact that your income will likely increase over your lifetime. Insurance companies will usually only give you one times your net worth, and ten times your income if you're near the end of your working life—or thirty times income if you're young and have thirty or more years of work in you. Think of life insurance not as a lump sum of money but as an income replacement.

There is a maximum amount of insurance that a company will issue on your life. Find out what that number is. That is the amount I recommend you acquire. When you own the maximum amount of life insurance, you will know—not just hope, but know—that if

something happens to you, you cannot possibly do any better for your family. You can go through your daily life with the peace of mind that comes with knowing your loved ones will be taken care of in the best way possible, especially if you combine your insurance with a living trust utilizing the Rockefeller Method.

Life insurance is a permission slip to live in the abundance mindset because you know that your finances are settled. This peace of mind will allow you to produce at an even higher level than before. This is something called the certainty of maximization. Protection leads to production, not just in terms of earning money, but in terms of the quality of your life. That peace of mind will translate into your life—into clarity, joy, and the mental space and creativity that allows you to create and produce more. This higher production and quality of life that awaits you will more than pay for the increased coverage.

People often think you either have to invest or protect. The good news is, we don't live in a world of either/or. We live in a world of abundance. It's possible to have the maximum amount of insurance without hurting your net worth and without hurting your cash flow.

When you know how much insurance to get—and only when you know that—then you need to decide what kind of insurance you want. I've already discussed what I believe to be the best kind of insurance, especially for Cash Flow Insurance—overfunded Whole Life insurance. If your current cash flow doesn't allow for a Whole Life insurance policy right now, you can buy convertible term insurance in the meantime. Term insurance is a great stopgap for a short period of time. However, if you are going to buy term insurance, make sure the company will allow you to convert it regardless of what happens to your health.

I sold insurance from 1998–2005. During that time I had a client

who bought a term insurance policy. It was a ten-year policy, and before he reached the end of it, he was diagnosed with a terminal illness. Thankfully, the term policy could be converted into a permanent policy regardless of health. Once you've got the right kind of insurance, your insurability is protected, no matter what. Of the over two thousand life insurance carriers in this country, I know of maybe thirty-five to forty that have this type of convertible term insurance to the right whole life policy.

If you have past health issues you may be ineligible. Certain companies will give you a policy when you have certain medical conditions, while others will not. Some are more willing to insure certain types of risks. If you cannot get a policy on yourself, you can still open a Cash Flow Insurance policy by taking out life insurance on your spouse, child, parent or business partner. I have Cash Flow Insurance policies on my own life, and on the lives of my spouses and kids.

As you can probably already tell, there are many different variables to navigate when setting up your Cash Flow Insurance policy. This navigation is very easy if you have the right person helping you set it up, but it can be a nightmare if you don't! Don't try to set up your Cash Flow Insurance policy by yourself or with just any insurance agent. You wouldn't try to do a root canal on yourself or go to someone that wasn't a dental professional, would you? It's important to have a specialist. Moreover, insurance companies rely on agents as part of the underwriting and design process.

Not all policies are equal, not all companies are equal, and not all agents are equal. You can't set up a Cash Flow Insurance policy with just any insurance specialist out there. Finding more than an agent is essential to utilizing your policy, maximizing its results, and coordinating with all the other money decisions you are making. Certified Cash

Flow Insurance / Banking specialists are trained in the methodology and protocols that minimize commission and maximize cash flow, and they know how to integrate the strategy that leads to more cash in your pocket and in your plan. Find someone who will look holistically at your entire financial architecture to make sure your Cash Flow Insurance system fits in with your overall strategy—and someone who is actually using these strategies themselves the way that I am describing to you. Plus a specialist will have the expertise to find money for you to capitalize and fund your Cash Flow Insurance. By saving you on the four I's—IRS, investment fees, insurance costs, and interest—your certified Cash Flow Insurance specialist can help you reclaim cash that can be redirected to building your own banking system.

Sometimes, agents are offered bonuses for only using one company. Make sure you're not dealing with an agent who is enslaved to one company. You want someone that is not captive and is able to write through many different companies. Ask to see their personal policies, and ask for specific examples. If they have them they will show you.

Another thing to watch for is that some companies will penalize agents by lowering the percentage of their commission if the policyholder borrows money against their policies. That's one reason some agents won't recommend this strategy.

Now, agents do get commissions on the policies they write, just like mortgage brokers and real estate agents. Agents get commissions on all forms of life insurance. Term life insurance, Universal Life insurance and Whole Life insurance all have fairly similar commission percentages. At most companies, these range anywhere from forty percent to one hundred and fifteen percent of your first year premium, then trailing off as the years pass. Because universal and Whole Life premiums are higher than term life premiums to start out, the amount

of money agents receive is higher, even though the percentage is the same. That's why Whole Life can get a bad rap for high commissions.

Commission rates average at fifty to fifty-five percent of the base premium in the first year, and an additional three to nine percent of the policy with each renewal. Usually, commissions are paid annually to agents. If the policyholder doesn't pay for at least thirteen months, the commission gets pulled back from the agent. Agents are incentivized to sell you a product that maximizes their commission, and most agents are not willing to lower their commission so you can have more cash. There are many agents out there who try to mimic or replicate this form of Cash Flow Insurance. The difference is, these agents are often incentivized to set up the policy improperly because they'll get a bigger commission. In fact, a properly designed Cash Flow Insurance policy can make commissions substantially lower.

When you overfund a Whole Life insurance policy, it can actually lower the commissions to agents by up to fifty to seventy percent on every dollar. Why? Because those overfunding dollars are going straight to the cash value rather than toward the base premium (with the right companies). So in order to make larger commissions, agents will sell you a policy that is not cash rich in the first two or three years. These policies are fairly common; many big insurance carriers have policies that have zero dollars of cash value in year one, sometimes even in year two or three. You might be putting ten or twenty thousand dollars a year into this policy, with nothing to show for it in those beginning years. Instead of going into your pocket, the commission money is going to the agent.

Many popular life insurance policies from the 1990s, 1980s and earlier would have no cash value in the first year. This is because they were not designed properly. With the Cash Flow Insurance system, I

can design policies that become cash rich in their very first year. So Cash Flow Insurance keeps money in your hands, instead of it going into the hands of the financial professionals selling you the product.

Say you buy a $100,000 policy, and it costs you $100 a month or $1,200 a year. That $1,200 is your base premium, and in the first year, the agent who sold you the policy might stand to gain anywhere from $600 to $1,200—fifty to one hundred percent—of commission on that base premium.

If, instead of $1,200, you funded the policy with $2,400 in the first year, that extra $1,200 might only pay three percent commission or possibly even zero commission. If you overfund a $100,000 policy instead of bumping up and getting a $200,000 policy, you're going to have a lot more cash in that $100,000 policy—cash that is not going to commissions but straight into your plan.

This overfunding is done through something called paid-up additions. Paid-up additions are extra money/overfunding that you are putting into your policy beyond what the policy would require. This money supports in accelerating the growth of the policy, so that your internal rate of return is accelerated in the early years of the policy, instead of having to wait ten or twelve years to see a positive yield on your savings or money. It's a way of supercharging the cash value of your policy. This not only increases your cash value more quickly, but also grows your death benefit. You can also set up your policy so that at least fifty percent of the money you put into it in the first year shows up in cash value.

Generally, life insurance companies hold on to the entire first year's base premium for ten years, using that for reserves in guaranteeing your death benefit. The insurance company is also taking into consideration the acquisition cost and marketing fees they pay in the form of

commission to the agent and underwriting costs. That's how insurance companies remain profitable and guarantee early death claims. If you put additional cash on top of your base premium, that is cash you can utilize within thirty days of it going into your policy.

There are some limits on how much you can overfund your policy. It's not unlimited. Be sure to talk with your certified Cash Flow Insurance specialist on how to properly over-fund your policy with paid-up additions; if it is done incorrectly, it could negate the tax benefits. If you put too much money into your policy, it becomes what is called a modified endowment contract (MEC). Basically, that means you are funding the policy at a level where you pass the corridor of cash value to death benefit and the government treats it more like an annuity than an insurance contract. This is easily avoided with simple calculations and communication. I once made an error on a policy calculation and overfunded to the point of a modified endowment contract. Fortunately I was able to take some of the money out immediately and retain the benefits.

Overall, the best method is to put as much into your policy as your cash flow will allow. Building to 15% of your income is ideal, but what is most important is just getting started.

The great thing about paid up additions is that you can stop them whenever you feel like it. When you reach retirement age, you may decide you don't want to continue to supercharge your policy. Then, you can just pay the premium—or, you can use the cash value that you've stored up in your policy to pay the premium, so you don't have to worry about more payments when you are in the distribution phase of your financial life! One of the key philosophies of Cash Flow Insurance is to continue to build and capture wealth. It may never make sense to stop funding your Cash Flow Insurance. If you put in

a dollar and more than a dollar shows up, is usable within thirty days, and increases your wealth, you may choose to always fund this and then just use it anytime you like. It's just like making a deposit into a checking, savings or money market account. You can spend it any time you want, but you store it somewhere in the meantime.

How to Find Extra Money to Maximize Your Policy's Cash Value

"Well," you may be thinking at this point, "all of this sounds great. But where do I get the money to do all of this? Where does that cash for the paid up additions come from?"

Even if you don't have great cash flow right now, the whole idea of Cash Flow Insurance is to help you find that extra money and hold onto it. Right now, you have money that's being lost to financial institutions, taxes, loans, etc. If you can reclaim that money—what I call cash flow optimization or cash recovery—that money can go instead into a Cash Flow Insurance policy that protects and grows your wealth, rather than losing it.

If you are getting a tax refund every year, it means you are overpaying on your taxes—or, in other words, you are giving the government an interest-free loan over the course of the year. If you increase your exemptions and decrease your tax overpayment, you can use that extra cash to start building your family bank. Instead of reinvesting the interest you're earning on your investments, you can put it into your Cash Flow Insurance policy. In the policy, that money can grow tax free, rather than being taxable.

We've talked a bit already about the Cash Flow Index and restructuring inefficient loans. Paying off or restructuring inefficient loans is

a great way to free up cash flow to put into a Cash Flow Insurance policy. People often think that what matters the most is paying off loans as quickly as possible. Financial gurus like Suze Orman are always saying to shorten your mortgage and other loans. However, if you shorten your mortgage or loans, it forces you into higher payments, which can provide more risk and increase your debt-to-income, lowering your cash flow and ability to borrow.

Your debt-to-income ratio is the percentage of every dollar you make that is required to go towards a loan payment, either on principal or interest. Of all the factors that affect your ability to qualify for a loan, debt-to-income is one of the most impactful. You can use the Cash Flow Index discussed earlier to determine which loan is the biggest cash hog and will free up your debt-to-income the fastest. Paying off inefficient loans will help your debt-to-income, which may help your credit score, which will help lower your interest on other loans.

Take a look at your investment portfolio and see what your interest rates are. What are you earning on a CD? What are you earning on your mutual fund? What are you earning on any stock that you have? If you could cash out a CD that is not performing very well, you could use that money to pay off a five percent interest rate loan that's costing you five hundred dollars a month in payment. That immediately increases cash flow, which could allow you to renegotiate interest rates on other loans as well, thereby freeing up even more cash flow beyond the 500 dollars per month.

Take this freed up cash and capitalize your Cash Flow Insurance system. You can even consider extending loans to free up more cash flow and accelerate your Cash Flow Insurance. This leads to more wealth long-term—more money in your life and in your pocket, as well as added stability and options for you along the way. If you refi-

nance your fifteen-year mortgage into a thirty-year mortgage, you can take the payment that would normally go toward a fifteen-year mortgage and put it into your Cash Flow Insurance policy. You'll find that in about fifteen years, you'll have enough cash value to pay off the remainder of your mortgage. Then you can pay the rest of the mortgage payment you would have made back into your policy, and end up with more money than either someone who had a fifteen-year mortgage or someone who had a thirty-year mortgage but didn't take advantage of the cost difference—all with the possibility to be more tax efficient.

You can also wrap a bunch of low Cash Flow Index loans into your mortgage, thereby making the interest potentially tax deductible. The interest on many loans—like credit card interest and some car loan interest—is not tax deductible. The interest on a mortgage can be tax deductible in the United States depending on your income. So if you consolidate those other loans into your mortgage, you gain tax advantages while improving your cash flow.

It's not just restructuring mortgages that can help free up cash flow. Say you have a vehicle that's been paid off. You could refinance it with a 1.9% or 3.5% interest rate, and use that money to pay off a higher-interest-rate credit card. The car loan—an installment loan—is a better loan for your credit than a revolving loan like the credit card, in which you pay money down and put money back on it at the same time, because the revolving loan is an ongoing cycle while an installment loan is finite. The money you save can then be put into your Cash Flow Insurance policy.

If you can restructure your inefficient loans to have the lowest payments required with the best interest rates and tax advantages, you can free up thousands of dollars a month, which can then go into your Cash Flow Insurance system. When you free up cash flow, that

cash can then go into your Cash Flow Insurance. It's not costing you anything extra; it's just using the flows of your money more efficiently. Setting up a Cash Flow Insurance policy also saves you from big costs, like the cost of term insurance—which you no longer need when you have a permanent life insurance policy. The cost of term insurance might be two or three thousand dollars a year. Every year you don't die, that money is gone. The good news is you're alive; the bad news is that money is out of your hands. What could that money turn into? Just on its own, three thousand a year turns into $30,000 over the next ten years. If you've earned a few percentage points of interest, it's even more. By saving the cost of term insurance and putting that money into a Cash Flow Insurance policy instead, you are keeping far more of your money, and recapturing those costs.

With this freed up cash flow, and the proper policy—which means a policy that will give you early cash value, with a company that has a strong dividend history and a long-term track record, and with the proper design so you can put extra cash in right up to the tax benefit limit—you can start to enjoy the benefits of Cash Flow Insurance!

CHAPTER EIGHT

Costs and Benefits: What's In It for You

As **discussed** so far, Cash Flow Insurance has benefits in many areas. It provides protection and privacy. You can either count your Cash Flow Insurance policy as part of your assets, or not; if you want to borrow money for your kids' education, for example, you don't have to include it as an asset. Moreover, although the exact rules vary from state to state, money inside a Cash Flow Insurance policy is generally untouchable by creditors and by courts in the case of bankruptcy. And all of this contributes to helping you create a legacy that will change your family's financial destiny and help your wealth and your values last through the generations.

But one of the most enticing benefits of Cash Flow Insurance is the tax advantages it provides. The cash value in your policy, growing at a guaranteed rate, grows completely tax-deferred. Loans that you take out against the policy are completely tax-free. Your death benefit is not subject to the income tax, so it's tax-free. The cash in your policy can earn a dividend year-by-year. Once that dividend is paid, it's fully guaranteed. Moreover, since those dividends are re-deposited inside the insurance policy, there is no taxation on them. And, if managed correctly, utilizing the cash value during your lifetime is completely tax-free as well. If done properly, you may never have to pay taxes on any money taken out of the policy.

A Cash Flow Insurance policy, using an overfunded Whole Life

insurance, is unique in that when you take money out, that money is FIFO—first in, first out. Every other interest or dividend bearing vehicle I know is LIFO—last in, first out. If you put your money in a CD, and you want to pull out money, the first money you pull out will be the interest you have earned. That interest is taxable. However, if you put money into an insurance policy and then take money out, the first money you pull out will be the first you put in—i.e., your premium. Since that money you are taking out is considered a return of your premium, it is not taxable. With a life insurance policy, you don't have to take out your interest until the very end. Moreover, if you take a loan against your policy, that loan won't be taxable either. This isn't a deferral, where you are going to have to pay it next year instead of this year. It's permanent.

When you take out a loan against your policy, you actually never have to pay it back. I don't recommend that, but it's the truth. If you don't pay it back, when you die, they will just subtract the loan and all the interest costs from your death benefit. You can set your payback schedule on the loan. You can make the choices, and charge yourself—or anyone else you loan money to—whatever you want. A loan taken out against your policy is one of the most private loans you can ever make. It doesn't change your credit score, and it has numerous tax advantages. Moreover, when you take out these loans—whatever they are for—the money still continues to grow inside your policy. More detail in Chapter Nine.

Because of this, a Cash Flow Insurance policy is perfect to use as a war chest or bullet fund. A **bullet fund** is money you have set aside that you can pull from when you want to seize an amazing opportunity at a moment's notice. A **war chest** is money that can be used for any unexpected surprise that money can help you solve—whether it's a lawsuit, a cash flow crunch, or the need to pay off something with

a high interest rate. Having your wealth growing inside a Whole Life insurance policy allows you to seize opportunities as they arise.

I built a TV studio for my business, recording training videos and courses—something that would pay for itself over and over again. There was no certainty that a bank would approve a loan for this type of request. At a minimum it would take longer than I was willing to wait at a time when my business was busy and growing. So I requested a loan of money against my policy, had a check in hand in seventy-two hours, and was able to pay for the TV studio in full, right then and there. When publishing *Killing Sacred Cows*, I had the chance to save 67% off the normal rate for a full-page ad in a famous financial newspaper by paying in full months early; by requesting a check from my Cash Flow Insurance, I was able to take advantage of the deal. Same with the opportunity to purchase Wealth Factory, with only a tiny window, I was able to make the purchase thanks to my Cash Flow Insurance policy, thereby joining my team with some brilliant minds, increasing our impact and moving my business five to ten years into the future through our team's combined talents and abilities.

You can use Cash Flow Insurance loans toward loan payments as well. I had an American Express card balance that was charging him 17%. He paid that off using a loan against my Cash Flow Insurance policy, and then captured 12% instead of paying it to American Express, thereby capturing that money in my policy instead of losing it. Because you are able to access your money through your loan, instead of going to Uncle Sam or to other financial institutions, the money you save with these tax advantages will continue to earn interest inside your policy. With all of these benefits, in order to match the growth of a Cash Flow Insurance policy, a mutual fund would have to return over nine percent per year, every single year, once fees

and taxes are factored in (and that is before you start using your cash value as your own bank, which could push that number higher).

We can all agree that saving money is great. What most people don't realize is how much saving on taxes and loan payments can truly impact their lives. Do you really know where your money is going? How is it flowing through your hands, and where is it ending up? And when it comes to recapturing your wealth, what do you think is more important—paying off loans, reducing expenses, or earning a higher rate of return? By calculating your maximum potential, it becomes easy to see the benefits of saving money and recovering cash, rather than seeking a higher rate of return. Your full earning potential is reduced over time by factors such as taxes, debt service, inflation and lifestyle. If you can save $5,000 a year in tax; another $5,000 in interest; and another $5,000 on hidden fees, commissions, and duplicate coverage or costs with insurance, that is $15,000. Do you know how much money you would have to invest to find $15,000 a year in cash flow? If your investment earned five percent, you'd have to invest 300,000 dollars. But you can get that same return just by optimizing your cash flow.

Let's look at an analysis over a period of thirty years. To make it easy, let's say that you have no assets, no 401(k), and no money set aside. What you do have, your one powerful asset, is your earning potential. Say that you have a $100,000 per year income. That means over the next thirty years, you'll have a total of $3 million dollars flowing through your hands.

That's already a pretty good sum of money. But this is assuming that you have no increase in income, that you have no earnings on investments—nothing but that $100,000 a year. So let's assume that you have the ability to increase your earnings by a total of five percent a year. If we calculate that out over thirty years, your 3 million dollars

becomes 6.6 million dollars. Not too bad!

There's one more assumption at work here: that you are basically just keeping your money under the mattress, that it is not working or earning for you at all. So now let's assume that you've learned some Cash Flow Insurance principles, and that you can make a better return on your money than keeping it under a mattress, or in a savings account, or a CD or a money market account. Let's assume that you are earning a 5% interest rate on your money. Now, your total income over thirty years increases to a whopping $12.9 million.

That $12.9 million is your earning potential. That is how much money passes through your hands over a thirty-year period given those variables above. The question is, how much of that money are you holding onto, and how much just slips away? Obviously, there are a large number of eroding factors that will decrease the amount of income that stays in your pocket over a thirty-year period. We're going to focus on the three most powerful eroding factors: taxes, loan/ interest, and lifestyle.

Taxes have a huge impact on how much money you hold onto—and we're not just talking about federal income tax. We're also talking about the cumulative effect of state or provincial income taxes, of property tax, sales tax, estate tax, self-employment tax, and luxury tax—all the money you are paying in taxes. A conservative estimate puts the amount of income that goes to taxes each year at forty percent—forty cents of each dollar going toward taxes. When we calculate forty percent of your income going to taxes over the thirtyyear period, that $12.9 million suddenly drops to $7.7 million. That's just after paying taxes, and nothing else at all.

The second major factor is the loans we have and the interest we pay on those loans. Most people have a few loans—student loans, mortgage payments, credit card balances, business loans, car pay-

ments. There are all sorts of different kinds of loans. And the money you put toward paying off loans is money that is not going into your pocket. The estimated average percentage of income that Americans put towards loans is thirty-five percent. When we factor that in over the thirty years, the $7.7 million now becomes $3.2 million.

We have already dropped your earning potential by $9.7 million, just by paying taxes and loans. We have not even factored in the cost of lifestyle—the money you spend just living your life. Average lifestyle costs amount to an estimated 23.5% of income. When we factor that in over thirty years, the amount of money you have left in your pocket sinks down to $194,000. As you can see in this calculator by Todd Langford of Truth Concepts, just $194,000 of the $12.9 million that passed through your hands is still with you after thirty years. *(See INCOME DATA, Example 1 on page 89.)*

Pretty shocking, isn't it? How is someone used to a $100,000 annual income going to survive on a total of less than $200,000 savings when they stop working? How can you keep more money in your pocket?

Most retirement planners will tell you that the solution is to focus on increasing your rate of return. Let's follow their advice, and see how the numbers play out. Instead of a 5% interest rate on your earnings, let's increase it to 10%. This is the so-called magic bullet—increasing your rate of return; how did we do? Well, by increasing earnings from 5% to 10%, we have increased that $194,000 to $433,206. Not too impressive—and certainly not enough to last someone twenty years of retirement. Moreover, increasing your rate of return from 5% to 10% generally means a huge increase in risk—with no guarantees. And what if right before you were to retire the market dropped 40%? You'd lose over 40% of your life savings.

So what is the solution to keeping more money in your pocket?

It is to reduce those eroding factors. Let us say right off the bat that the factors we want to focus on reducing are taxes and loans, NOT lifestyle! I want you to be able to keep your lifestyle, if not increase it. So let's see what happens if we just focus on taxes and loans. Let's go back to the 5% earnings rate, which brings our total after thirty years to $194,000.

Using Cash Flow Insurance and some basic tax strategy, you can decrease your tax burden by 10%—meaning 10% of the 40% average, so 4% total. So you are now paying a total of 36% on taxes. Do the calculations, and your total savings after thirty years jump up to

$713,120—already significantly more than you get by increasing your rate of return! *(See INCOME DATA, Example 2 on page 90.)*

Using the cash flow index to identify inefficient loans—and working to pay off those loans—can reduce those expenses by half. But to be conservative, we'll say that you have reduced your loan payments from 35% to 20%. With that factored in, your savings after thirty years leaps up to $2.6 million! *(See INCOME DATA, Example 3 on page 91.)*

Now you've gone from holding onto just $194,000 of your $12.9 million to keeping hold of $2.6 million. That's a pretty dramatic difference, and it was all done at no additional risk to you. While you shouldn't neglect your rate of return completely, there are clearly better things to focus on when it comes to maximizing your earning potential—things that have much greater impact at much less risk. Chasing a higher rate of return is not the answer. The answer is to focus on leverage, efficiency, utilization of your money, and decreasing eroding factors. By utilizing Cash Flow Insurance techniques, you can minimize your taxes, lower your interest cost, and improve your lifestyle!

The list of benefits Cash Flow Insurance provides goes on and

on. You have cash, you can access it completely, you can earn interest instead of paying interest, you can save on term insurance costs, you can save on taxes, you can take cash out in a tax-favored way, your money can be protected from lawsuits and bankruptcy, and your guaranteed returns on the policy are at higher rates than what you see in almost any other savings vehicle.

Most importantly, Cash Flow Insurance creates a solid base level which can always keep you safe. It allows you to mitigate and manage your risk to as near zero as possible, while capitalizing your income. It provides what we call the economic value of certainty. If you have predictability, if you know exactly what the guaranteed standards of performance are, you can make decisions with much more security and confidence.

If you have a policy in which the cost of insurance can change—where the company can ask you to pay a higher premium sometime in the future, or where your earnings are completely dependent on what happens in the stock market—you don't have that certainty. You may have what you consider to be a war chest, but when the time comes to use it, if the stock market is down your policy may have less cash value and you won't have access to the cash.

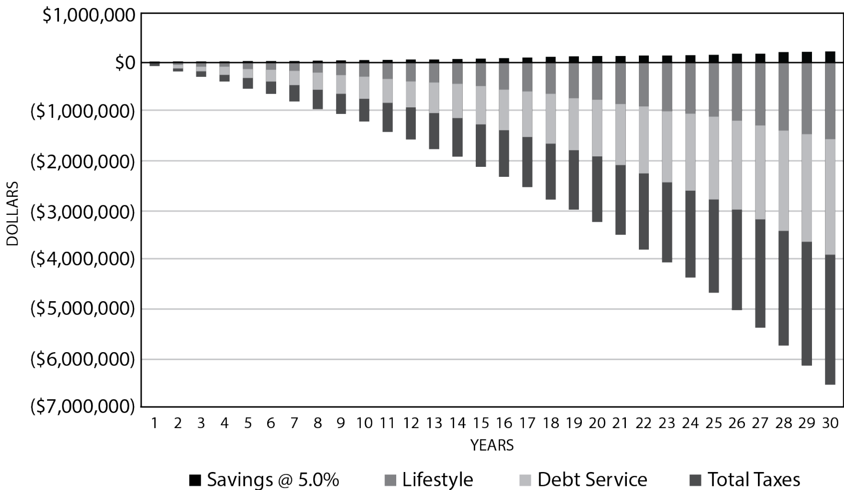
The cash value of a Whole Life insurance policy is both accessible and guaranteed. You know for certain, year by year, every year, how much money will be there. That advantage of knowing versus hoping can be leveraged in all areas of your life, especially as you make short and long-term finance decisions. Cash Flow Insurance allows you to lay a solid foundation so you can swing for the fences and still protect your family's quality of life—Rockefeller style.

INCOME DATA (Example 1)
Illustration Period: 30 years / Annual Income: $100,000
Annual Income Increase: 5.00% / Annual Earnings Rate: 5.00%

Cost Ratios (%)	Total Costs	Actual Loss
Total Taxes: 40.00%	$2,657,554	$5,186,341
Debt Service: 35.00%	$2,325,360	$4,538,039
Life Style: 23.50%	$1,561,313	$3,046,969
	- 0 -	- 0 -
Net % to Savings: 1.50%	**$6,544,226**	**$12,771,340**

SUMMARY OF VALUES

	Total Income	Savings
First Year	$100,000	$1,500
Average	$221,463	$3,322
Last Year	$411,614	$6,174
Cumulative	$6,643,885	$99,658
Compound	$12,965,827	$194,487



INCOME DATA (Example 2)

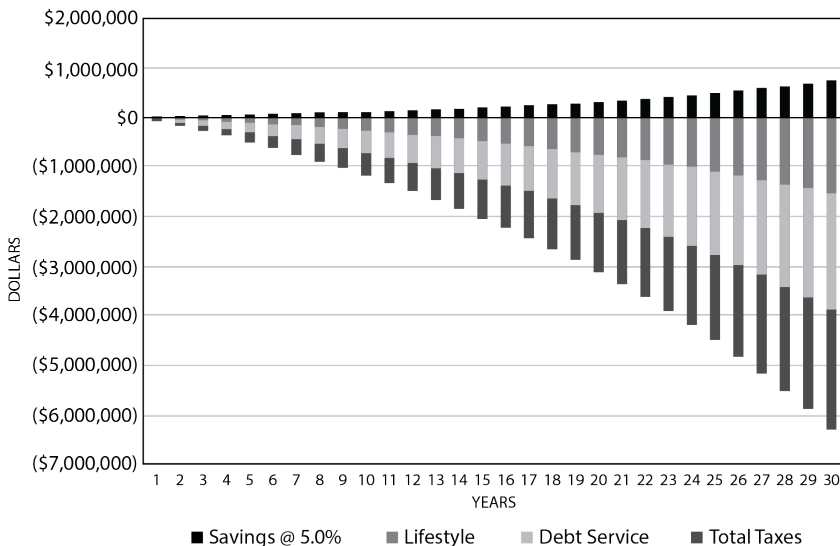
Illustration Period: 30 years / Annual Income: $100,000

Annual Income Increase: 5.00% / Annual Earnings Rate: 5.00%

Cost Ratios (%)	Total Costs	Actual Loss
Total Taxes: 36.00%	$2,391,799	$5,667,698
Debt Service: 35.00%	$2,325,360	$4,538,039
Life Style: 23.50%	$1,561,313	$3,046,969
	- 0 -	- 0 -
Net % to Savings: 5.50%	**$6,278,471**	**$12,252,707**

SUMMARY OF VALUES

	Total Income	Savings
First Year	$100,000	$5,000
Average	$221,463	$12,180
Last Year	$411,614	$22,639
Cumulative	$6,643,885	$365,414
Compound	$12,965,827	$713,120



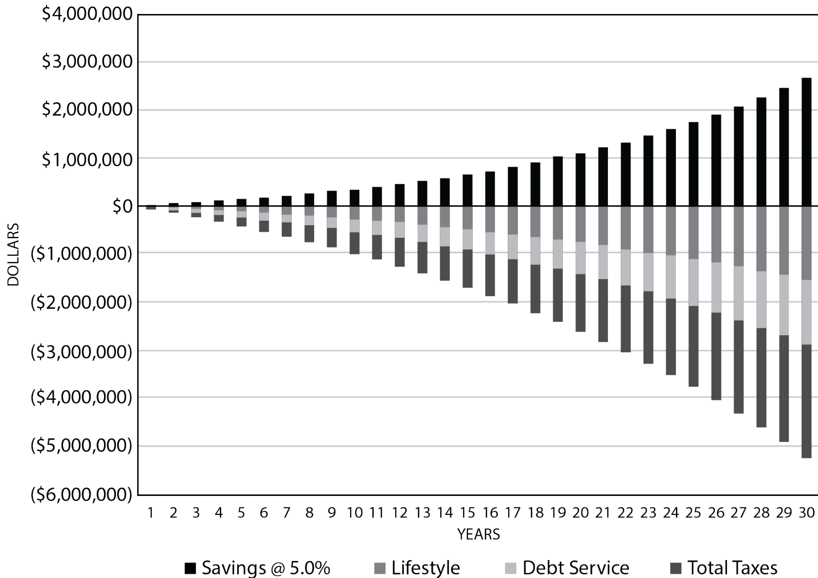
INCOME DATA (Example 3)

Illustration Period: 30 years / Annual Income: $100,000
Annual Income Increase: 5.00% / Annual Earnings Rate: 5.00%

Cost Ratios (%)	Total Costs	Actual Loss
Total Taxes: 36.00%	$2,391,799	$4,667,698
Debt Service: 20.00%	$1,328,777	$2,593,165
Life Style: 23.50%	$1,561,313	$3,046,969
	- 0 -	- 0 -
Net % to Savings: 20.50%	**$5,281,888**	**$10,307,833**

SUMMARY OF VALUES

	Total Income	Savings
First Year	$100,000	$20,500
Average	$221,463	$45,400
Last Year	$411,614	$84,381
Cumulative	$6,643,885	$1,361,996
Compound	$12,965,827	$2,657,995



CHAPTER NINE

Turning the Death Benefit Into a Living Benefit

There's an old axiom that nobody ever gets wealthy off of life insurance while they're alive. That may be true for a typical life insurance policy, but this is a little different thanks to a major asset in your Cash Flow Insurance policy: the permanent death benefit. As the name might suggest, most people consider that benefit to only be worth something when they die, not something they can use while they are alive. Car insurance allows you to drive your car without fear of loss. Likewise, life insurance allows you to live your life—and spend your money—without fear of either running out of money or not leaving anything for your heirs.

With Whole Life insurance, the death benefit is guaranteed to be around exactly one day longer than you, meaning it is with certainty going to pay out eventually, when you die. You can therefore leverage the certainty of your death—even though it's uncertain when you are going to die—to both spend more money while you are alive and preserve the legacy of your family.

Your death benefit allows you to spend 20–50% more cash flow when you get into the distribution phase of your life, and spend it with certainty. The accumulation phase of your life is when you are saving and investing money—usually during your working lifetime. The distribution phase is when you start taking your savings and dis-

tributing it back to yourself—usually in your retirement years. A death benefit gives you a way to coordinate and to structure the distribution phase of your life in the most efficient way. Even if the market went down 30% in your retirement, your cash flow would not be impacted whatsoever. Meanwhile, you can preserve the legacy of your family by using your insurance to replenish a trust completely tax free—the Rockefeller Method.

There are also new riders available on death benefits that insure for long-term care. If you can't perform two of what are known as the "activities of daily living"—getting dressed, feeding yourself, etc.—this rider will allow you to spend up to 50% of your death benefit while you are alive in order to provide for your long-term care. It's a contractual provision that you can add.

There are some very specific ways to utilize your death benefit while you are living. Some are a little morbid, and not necessarily what I would recommend—viatical settlements, for example. A viatical settlement is when someone with a terminal illness sells his or her death benefit on the market. Not a particularly uplifting proposition!

A less morbid version of this is what's called a senior life settlement; This is where a senior—for men, you typically have to be over 62, for women, over 70—sells their policy on the market. Death benefits have such value that investors are willing to buy them for more than their cash value. Warren Buffett has bought billions of dollars of death benefit through senior life settlements, as has Bill Gates. Buffett knows his company is going to be around longer than the policyholder, so he knows he's going to get a guaranteed payout.

In my opinion, neither senior nor viatical settlements are the best way to draw a living benefit from your death benefit. In fact, the best living benefit of a death benefit is what I discussed earlier, in Chapter Five—having a coordinated strategy to spend your assets, including

your principal, because you have a guaranteed benefit going to your beneficiaries, no matter what. Instead of just living off interest, you can take full advantage of all of your assets in the later years of your life, just as the Rockefeller family did. A senior life settlement would merely be a back-up strategy for a worst-case scenario in which you outlived your money—it would give you more peace of mind, and options in the future.

This has some obvious advantages in terms of how much money you can spend every year, as I illustrate with my calculations in Appendix 1. And it doesn't just affect how you spend your principal. If you have a pension, when you go to take it out in retirement, there are usually around six options. Option number one is the highest pension payout each month for you, leaving nothing for a surviving spouse. Another option, one many people take, is to cut the payment down several percentage points, so that if you die and your spouse survives, the pension payments will continue to them.

If you have a death benefit, you don't have to worry about continuing your pension after you die. Your spouse and your heirs will be provided for—and the money will be income-tax free. This strategy of taking the maximum pension and using the death benefit to replace it is called pension maximization. You're not just guessing and playing the odds; because of the death benefit, there is certainty that if something happens, you family is still taken care of. And if things go according to plan, you'll have a whole lot more cash flow during your lifetime!

Rather than living off your interest alone, with every dollar subject to tax, you can use a paydown or accelerated cash flow strategy. It will even protect you in the event that taxes go up. It can protect you in the environment of low interest rates as well.

And most importantly, the number one thing to protect against,

and something that people can overlook in the short term, is inflation. Inflation erodes your purchase power, so if you are living off of a fixed income in your later years, each year that income will buy you less and less, as the cost of living continues to rise.

If you can spend your principal as well as the interest, inflation isn't as concerning and this issue is greatly diminished. The money that you are pulling from your principal (unless in a qualified plan) would come out tax free, so you would pay less in taxes. Moreover, your taxes would drop year by year, because even if tax rates rise, you are taking more and more principal and earning less and less interest as you exhaust the account. And, with more money to spend, you will be able to account for inflation.

All of this is possible because of the certainty of your death benefit. You can spend your principal, because whatever you spend while you are alive, your death benefit will replace that money for your heirs when you die. Therefore, you get to spend both the interest you are accruing AND the principal in the later years of your life.

All of the advantages here are great. You'll get to spend more, pay less in tax, hedge inflation, and not depend on the stock market. But we're sure you are wondering—what happens when you spend down your principal, and all of a sudden you're eighty years old and you have nothing left in that account?

Here's where the death benefit comes even more into play—and there are a number of ways you can use it. Say that you have a mortgage that you've paid off. You can use your death benefit as collateral to get a reverse mortgage. You can take your death benefit to the bank, and assign them a percentage of your death benefit, which can be done with one form called a collateral assignment. Then, the bank will give you a reverse mortgage, which gives you access to cash inside of your home in the form of a lump sum or systematic payments to you.

Basically, rather than a mortgage where you are making payments to a bank, the bank is making payments to you. Since these payments are considered a loan, you won't have to pay tax on that cash. Normally, in a reverse mortgage, your home would be the collateral. However, to avoid losing your home, you use your death benefit. So when you die, the reverse mortgage is paid off with the death benefit, rather than with your home.

With this strategy, your death benefit can unlock the equity of your home on a tax-free basis, providing a living benefit for your later years. And this is not even the most efficient way to utilize your death benefit!

If you have a highly appreciated asset—such as real estate or your business—you may want to sell it to support your later years of life. There are plenty of strategies for deferring the capital gains tax you would have to pay; but what if I told you there are completely permanent tax strategies for avoiding those taxes? You can do this by using what's called a charitable remainder trust.

If you sold a $1,000,000 building, you would have to pay anywhere from $200,000 to $300,000 in tax, leaving you with $700,000 from the sale. If you use a charitable trust, you can donate that building to the charity of your choice—a university, a church, a cause, or some 501(c)3. When you donate, a portion of the value of the donated asset is tax deductible.

Of course, the design of a charitable trust is that when you die it goes to the charity and it disinherits your family. However, you can you set up a charitable trust so that you are the first beneficiary, and the charity the second beneficiary. That means that all you have to do is leave at least 10% to the charity when you die—which, in my opinion, is much better than giving 40% to the government! That's where the Rockefeller Method comes in: you can use your life insurance that

the Cash Flow Insurance system provided to replenish the gift back to the trust in a tax-free fashion. Now, your family has a bank inside of the trust to borrow from and replenish, and when they get their own life insurance, they can continue to replenish the trust down through the generations.

The Rockefellers have been implementing and integrating these types of strategies in their family for generations. That's why this strategy is so cool: you get to give your money away, spend more money than if you didn't give your money away, and the life insurance returns the gift back to your heirs, tax-free. You get to spend, give and replenish, and this strategy is all brought to life at no additional cost to you, thanks to your death benefit.

Generational wealth will typically last about two generations before the money is all spent. This is a way to ensure that your wealth continues beyond that. The death benefit can replenish the trust when one generation utilizes the money, and even in the case of market changes or mistakes, the death benefit becomes a contingency plan for replenishing the trust. Moreover, this allows you not only to pass down generational wealth, but also to create a value system for your kids, your grandkids, and your great-grandkids, so that they know your name, your values, and what you stood for. You can change the destiny of your family by utilizing these policies properly, all while living your life to the fullest in your later years. Cash Flow Insurance is a way to leave a financial legacy, to empower your children and share more of your human life value with them, and to help ensure that the wealth you leave them is a blessing—not a curse. We learn the most being the teacher.

When we set up our financial lives in this way, the Rockefeller way, we enhance our own personal lives and the lives of those around us today and tomorrow. How great is that? Part of the key components

of a Cash Flow Insurance system is how you own a Whole Life policy and how you set up the beneficiary.

Most policies are owned individually. Some are set up to be owned by an LLC. Some are owned by a trust. There are benefits to all. I want each of you to meet with appropriate legal counsel to make these considerations specific to your planning.

This may seem to be a lot of complicated information about how your death benefit can be a living benefit. But I promise—it's actually quite simple! If you are feeling a little overwhelmed by all of these ideas and options I spelled out, here's the most important things to remember about making your death benefit a living benefit.

The number one benefit of a death benefit is knowing for certain that there is a sum of money coming on the day you die. Although the date of your death may be uncertain, the fact that the sum of money will arrive on that date is not. And you can capitalize on that certainty to improve your cash flow while you are alive.

You can do this through the various means discussed in this chapter and elsewhere in this book, including utilizing a reverse mortgage or a charitable trust. A death benefit also allows you to simply, with planning, accelerate the rate at which you spend the money you have, knowing that it will be replaced for your heirs with your death benefit. If you spend too aggressively, or live longer than expected and run out of money, there are still options. For instance, you can sell your death benefit. Alternatively, if you live to be 100, many policies will cash out when you hit that age, allowing you to literally spend your death benefit while you are alive.

Simply put, you don't have to die to benefit from a death benefit. Let us lay out a few analogies that will help make clear what I mean by this. The first is a story from my childhood: when I was in Catholic school, I got into a fight with another kid. The PE teacher came

up and separated us, saying, "You guys could get into a lot of trouble for this fight. But what I'm going to do is send you both home with permission slips. Get them signed by your parents, and then we'll put boxing gloves on you and you can duke it out as long as you like." Once I had that permission slip, I knew I wouldn't get expelled.

A death benefit is like that permission slip. It gives you a backup plan, because you know that no matter what, you have an inheritance that is going to come to your heirs when you die. This gives you the freedom to unlock your other assets, because you are not using your other assets as insurance. Instead, you are using insurance as insurance, which allows you to tap into lazy assets that don't produce cash flow, and bring them into cash flowing scenarios.

Here's another analogy: imagine that you have an eccentric relative who loves gold. One day, you get a call telling you your relative has died, and has left you $2 million in gold bars. However, there is a caveat: your relative has stipulated that you will not receive that gold until you turn 80. Now, can that $2 million in gold change your life today, even though you won't see it until you are 80? Absolutely! Now you know, for certain, that when you turn 80 you will receive $2 million dollars. That means, before you turn 80, you can spend $2 million that you hadn't planned on spending, because it will be replaced as soon as you turn 80. If you know the money will exist when you are 80, you can spend money differently right now, before you turn 80. A death benefit is much like a future inheritance. You can leverage the certainty of it coming in, even though you don't know when exactly that is going to happen.

Let us give one more analogy of how a death benefit benefits you while you are still alive. Imagine that you have paid off your mortgage entirely. Once you have done that, you are no longer required to carry homeowner's insurance. "Great!" you may think. "Now I can save the

money I was spending on homeowner's insurance." But the truth is, you're not saving money—you are losing money.

Even if you have a million dollar house, homeowner's insurance won't come to much more than $2500 a year at maximum. If you decide not to have homeowner's insurance, and if something happens to your home and you need to rebuild or replace it, that million dollar value is going to have to come from somewhere. So, you likely have a million dollars locked away somewhere. In essence, that million dollars is acting as the insurance on your house.

Imagine if that million dollars wasn't locked up. Imagine you were actually putting it to use—say, through long-term investment. You could make $2500 a year on that with your eyes closed. If you got even a 5% return on that million dollars, you would be making $50,000 a year. So, by not buying homeowner's insurance, you are saving $2500 a year. But you are losing $50,000 a year by having that million dollars locked up—that's a $47,500 net loss!

A death benefit is like having insurance. You don't have to keep money locked up—your death benefit is there to protect you. Your insurance acts as insurance—allowing you to utilize your assets today, while you are alive.

As you can now see, there are several ways to enjoy your death benefit while you are alive. I have outlined ways to increase cash flow, create contingencies, and give you more permission to spend money without the fear of running out—and with the certainty that your family will be taken care of for generations to come.

CHAPTER TEN

Buying Your Net Worth Instead of Building It

Net worth is vastly over-promoted in the financial world. I know people who talk about net worth all day long as this great indicator and measure of wealth. And yes, it is an indicator—but every business owner knows that if you can't access your net worth in times of need, then it's relatively worthless. If you can't get to your money, then it doesn't count for much.

If you want net worth that you can actually access, that is actually really yours, then we'll tell you something that may surprise you: you don't want to build your net worth. You want to buy it.

So many people spend so much time worrying about building a nest egg. They think, "I've got to create, save, and build millions of dollars. How much risk do I need to take on? How much time will it take? Where do I put my money?" In fact, you can get that nest egg right here and right now, through a Whole Life insurance death benefit.

As discussed last chapter, your death benefit provides almost innumerable benefits to you while you are living. And a nest egg is one more huge benefit that a death benefit provides. How much money would you have to put away if you wanted to have a five million dollar nest egg? How many market swings would you have to survive, and how much would you have to risk? How many fees would you have to

pay? And how much time, effort, stress and worry would you have to endure to make it all happen?

That's why, instead of trying to build net worth, buy it. If you buy a Whole Life insurance policy with a guaranteed five million dollar death benefit, you have instantly added five million to your estate. When you die, your estate will inherit five million dollars. You can now rest assured that you have your five million dollar nest egg ready and waiting—and still utilize your net worth during your lifetime.

Building a net worth is not easy. I've shown you how difficult it is to create and grow wealth when you are handling your money in such a way that it is subject to eroding factors like taxes and inefficient loans, or using strategies that are dependent on the stock market. So many people, when they get to their retirement, just don't have the lifestyle that they'd hoped for initially. Between all the moving targets of interest rates, taxes, inflation, the markets—it can be almost impossible to navigate and predict what your net worth will be when you retire.

But there is one thing that is certain and predictable: death. By purchasing a death benefit through Whole Life insurance, you have a future sum of money that is contractually guaranteed from day one.

If you put a deposit down right now, you would know that you controlled a million, or two million, or five million dollar death benefit—and you would know that money would be there in the future. Now, most people think of that money only as what is going to be left behind to someone else when you pass away. But I hope by this point I've shown that a death benefit can be much more than that.

When my dad retired, he could have used the option of taking a lower pension and preserving the money for my mother if he died first. But instead, because he had a death benefit, he was able to take

his maximum pension. He didn't have to worry about affecting his net worth by spending his full pension, because my dad had bought net worth in the form of that death benefit. He didn't try to build it. He didn't try to take on risk in order to grow his net worth. He didn't have to wait and build and wait and build. He just got a contract that said, "Hey, here's an amount of money that you can count on having at retirement."

The fact that you can buy your net worth rather than building it can be hard to wrap your mind around. We tend to think of the money we build up as our "real" money. When you put a dollar in your 401(k), and a dollar shows up in your 401(k), most people think of that as real money. However, in reality, it's actually FBO, or "for benefit of." It's not actually yours; you are a beneficiary, not the owner of the program. The government is actually the owner of the program.

Moreover, if you want to take that dollar out of your 401(k), you have to pay taxes on it. Does that sound like a dollar that actually belongs to you? That tax may be thirty percent, plus another ten percent penalty. If you try to take out and utilize "your" dollar, you'll find that you only actually have sixty cents.

And yet we still have this false sense of security based on that statement that comes in the mail and tells us how much of "our" money we have saved up. There's still the warm, comfy blanket that makes us go, "Oh look, there—that's my money," when in fact, if you tried to access that money, you would run into all sorts of hurdles and end up with a lot less than you thought you had.

Whole life insurance is always honest. If your statement says you have no cash value, you have no cash value. And if your statement says you have $10,000, then that is $10,000 you can take out the next day and have in your hand. The money you have in a Whole Life insur-

ance policy is actually your money.

Buying your net worth also has another major advantage over building your net worth: you can do it right now. Building your net worth takes time. But if you are older, and you don't have as much time, you can buy your net worth instead. You can secure a 100% income-tax free asset that can be passed on to the next generation, and that you can utilize in order to live fully and access your net worth in your later years, Rockefeller style.

I met with my grandmother when she was about seventy years old. She and my grandfather were angry because they had reached the age where there were required minimum distributions on the 401(k). When you reach seventy and a half, you have to take out a certain percentage from your 401(k), otherwise you get hit with a fifty percent penalty as well as taxes on that percentage.

My grandmother was understandably frustrated. So I recommended that they take the money and allocate it into an insurance policy. And guess what—when my grandmother died, she had an extra quarter of a million dollars that was left tax-free to her five kids. My grandparents came from a small coal-mining town with less than a thousand people, and here they were passing down an extra quarter of a million dollars. That is six times more than the value of their home. Even better, they were able to live out their last years not worrying about whether the market was up or down, and they were able to access and utilize their net worth to live fully, happily, and with certainty that they would not run out of money or leave nothing behind to their children.

I referred some clients that were approaching retirement within four years to a CFB specialist named Michael. The clients had bought term and invested the difference. They had the difference and had no

life insurance when Michael met them. They felt they were self-insured at that point. Their plan was to go into retirement with their assets provid-ing an income for them. However, they didn't want to take any risk whatsoever on their retirement savings. Their plan when they got to Michael was to allocate into a bond type portfolio when they retired, which would yield them somewhere around 2.5% a year in interest. They quickly learned that they could buy their net worth with a Whole Life policy, funded to match their goals to retire. This new death benefit gave them the permission to put a large portion of his retirement into a special guaranteed annuity that paid them 7% a year guaranteed—almost 300% more spendable income for them. All the while the new death benefit guaranteed the surviving spouse the same amount of income—essentially buying their net worth.

When you buy your net worth, you create and insure your future. It increases income opportunity for your existing assets, helps with wealth capture and wealth creation, and means you can stop gambling and putting money toward things that don't make sense. Cash Flow Insurance allows you to buy your net worth, and know with confidence that the money is there, is secure, is growing—and that it is, without question, *yours*.

This is exactly what the Rockefellers have done. The Rockefellers were able to earn and produce to start their fortune. For generations they have utilized Cash Flow Insurance to perpetuate the wealth inside of the family trust, despite the enormous amount of estate tax they face when the money is passed from generation to generation. You can insure your legacy by buying your net worth, and by insuring there will be tax-free money to fund your trust. So buy your net worth and pass it on … again and again.

CHAPTER ELEVEN

Getting a House or a Car with Your Bank

Financial gurus will tell you that you should always pay cash when making big purchases like a house or a car. They tell you never to finance if you can help it in order to avoid unnecessary interest payments. In some cases, they are right. But if you use Cash Flow Insurance, I have a surprising fact for you: financing big purchases can actually make you rich.

The fact is, while financing costs you in interest payments, paying in full with cash costs you in opportunity—this is called "Opportunity Cost." Simply put, opportunity cost is what you miss out on when you choose one option over another. In other words, every decision you make in life includes an opportunity cost—the option you did not take. And it can cost you thousands of dollars each year if you don't understand or acknowledge it.

However, taking out loans against the cash value from your Cash Flow Insurance policy can make opportunity cost work in your favor. It can create positive cash flow that can increase your wealth, all while allowing you to make those big purchases. How? Through the law of uninterrupted compounding.

Compounding is the strategy of putting your money in an investment that pays interest, and then taking the interest you've earned at the end of the year and reinvesting it with your original stake, so that your interest continues to earn a return, as does your principal. As this

process is repeated year after year, your earnings snowball, and your wealth grows. As you can imagine, the longer you allow your money to compound uninterrupted, the more it grows. And if you allow it to compound uninterrupted over many years—the key to successful compounding—it can produce a fortune. For example, if you have $10,000 in an investment that is growing at 10% interest, over the first forty years it will grow into $452,593—not bad, but not amazing. But then, with compounding putting the interest back into the investment, something amazing happens: by year fifty, you'll have a million dollars. By year sixty, you'll have more than three million!

Here's the catch: this amazing growth can only happen if the compounding process is uninterrupted—in other words, if you never pull any money out of the account. For example, if you made an early withdrawal of $150,000 from your account in year forty, then in year fifty you'd have $745,941 instead of one million dollars. By year sixty, you'd only have two million, instead of three—a full one million dollars less, just because of a $150,000 withdrawal. Even that small amount could cause your wealth to plummet.

The point is that interrupting the compounding process by liquidating all or even part of your funds is a big destroyer of wealth. Unfortunately, these interruptions happen all the time without you even realizing it. If you have a 401(k), a decline of 20% in the stock market would interrupt the compounding process, because your account balance would have dropped by 20%. If you have a college fund that you start putting money into when your child is born, and then you liquidate it to pay for tuition expenses, you've interrupted the compounding process after only eighteen years. Moreover, if you cash out part of your 401(k) or IRA to make a large purchase, it will interrupt your compounding as well.

Thankfully, I know an account that will let you compound your

money AND access your money without interrupting the compounding process—and that account is a Cash Flow Insurance policy. Here's how it works:

In a bank account, brokerage account, 401(k), etc., when you pull out money for a big expense, you either liquidate your savings account, sell your stock, or get rid of your mutual funds. This frees up your money for use in the purchase, but then the money is no longer earning for you and no longer participating in the compounding process. As we've seen, this can greatly impact your long-term returns.

When you pay cash for big purchases, the compounding process is interrupted. However, when you pay for those same purchases using your Cash Flow Insurance policy, the compounding process is not interrupted. Why? Because when you take out a loan from your Cash Flow Insurance company, you are not actually taking money out from the policy; you are borrowing against the policy. The insurance company with whom you hold your life insurance policy will lend you money up to the amount you've saved in your policy, knowing that even if you don't pay it back, they can just deduct it from your death benefit when you die.

Because you are borrowing against your policy and not from it, the actual cash in your policy remains untouched. No money is removed from your account. Therefore, the money in your account can continue to compound and grow, completely uninterrupted. Then, when you've paid the loan back in five or ten or however many years—as discussed—you are paying back into a cash value that is exponentially higher than when you took out the loan.

This may still sound a little "out there," so let's take a look at a specific example: buying a car. Let's compare three different ways to buy a car, and see what happens over a twenty-year span if you buy a new car every five years:

1. **Buying a car with credit**
2. **Buying a car with cash**
3. **Buying a car by borrowing against your Cash Flow Insurance policy**

To make the comparison easy, let's say in all three of these cases, you are starting with zero dollars to put toward this purchase.

Buying a car with credit is the most common purchasing strategy. Credit means borrowing someone else's money in order to get the car you want immediately. Then, you pay off that loan—in this case, let's say you pay off the loan over the next five years. When buying with credit, the opportunity cost is the interest you pay on the loan. After five years, you've paid off the loan, and it's time to buy a new car. However, when you factor in a 2.5% rate of inflation over those five years, you'll have to borrow a little more in order to buy the same quality car. This will repeat every five years over the twenty-year span.

If you wanted to buy a car with cash, the first thing you'd have to do would be save up for it. In this scenario, starting at zero, there would be no way for you to buy a car with cash today. In order to buy a $25,000 car within five years, you would need to save $413 a month. However, once that 2.5% inflation rate is calculated, in five years that $25,000 car will cost $28,285. So in order to buy that car in five years, you either need to increase your savings to $468 a month, or have your savings earn 2.5%.

When buying with cash, you face two opportunity costs. During the five years of saving, your opportunity cost is not having a car. Then, once you buy the car and your cash reserve goes back down to zero, your opportunity cost is not being able to use that money on other things—including emergencies—as well as not being able to earn any interest on that money.

Buying with credit and buying with cash have the same ultimate

result: at the end of each five-year period, you end up with a car you own outright, and zero dollars in cash remaining. The difference is just that with credit, you get your car immediately, and with cash you have to wait. But financially speaking, it doesn't make much of a difference which method you use, cash or credit.

Now, what this doesn't yet take into account is any interest earned on the saved cash. Let's say that you are saving the exact same amount of cash each month that you would be paying back, with interest, on a loan. Then, let's say you're putting that saved money into a traditional savings account or CD, which these days has about a 1% interest rate. Even with this small interest rate, you would have more at the end of every five-year period than the cost of the car. And at the end of the twenty-year span, you'd have accumulated an extra $11,938—much better than using credit and ending up at zero! The downside, of course, is that you still can't get your car right away at the beginning—you still need that initial five years to save up. However, if you are able to take that five years, you are actually much better off buying with cash than with credit.

Thankfully, there is a third option that gives you the best of both worlds: using your Cash Flow Insurance and taking out a policy loan against your cash balance. If you are starting from zero, you will still need that initial five-year period to save up. However, when you take out that loan against your policy, you leave your money in your account to continue compounding, uninterrupted. So, when you pay back your loan, you are back to your full account balance—plus all the compounding interest you have earned during those five years! Instead of ending up after twenty years with $11,938 more than when you started, you'll end up with over $20,000 more—77% better off than you were paying cash.

As if that wasn't great enough, there's also the fact that you are not

paying interest solely to a financial institution. Imagine if you took a five-year, $20,000 loan out from a bank at 7% interest. Your monthly payment on that loan would be $396.02, and at the end of the five years, you would have paid $3,761.44 in interest alone. Why not pay that spread back to yourself, rather than all to a bank?

This strategy can be used in all your large purchases, not just on cars. You can even use it to buy your dream house! Borrowing money from banks, credit card companies, or other lenders is in fact one of the most damaging things you can do to your wealth. It puts you in a hole that can be almost impossible to dig your way out of.

By taking out a loan from cash value, you not only get all the benefits I've already discussed—like paying additional interest to yourself instead of to a bank—but you are also allowing uninterrupted compounding to build your wealth even as you spend. By using Cash Flow Insurance, you can turn opportunity cost to your advantage by harnessing the power of uninterrupted compounding, while still spending money when you need it. In other words, with Cash Flow Insurance, you can accumulate wealth not just by saving, but by *spending*!

CHAPTER TWELVE

Your Bank ... Your Legacy ... Your Financial Future ... Why Wait?

Whether you are ready to get started with your Cash Flow Insurance and the Rockefeller Method right away, or whether you want to learn more—why not start today?

Now is the time to get started with the core building block of Cash Flow Insurance. Today, life insurance laws in the U.S. and Canada have favorable tax treatment that makes the Cash Flow Insurance system work.

Delaying setting up your life insurance can be a big mistake. If you are in good health and insurable today, it is a good idea to set up your Whole Life insurance plan now. I love that I set up my Cash Flow Insurance policies when I did, because I ended up having some kidney issues that prevented me from buying any more insurance. Thankfully, I set up riders on some of my policies whereby every three years, or if I had another child, I can buy more insurance regardless of my health. Moreover, the term insurance I had left could be converted into permanent insurance. So even though I had a health problem for underwriting, because I set everything up early, I am still fully covered and able to use the Cash Flow Insurance system. When this happened, I also made sure to get as much insurance on my kids as I could. If they inherit the same problem, I want to make sure their insurability is protected, and at the best rates possible.

Oftentimes, we spend so much time focusing on our future that we forget to live in the present. It's the Ebenezer Scrooge method of managing money: if you just cut back, if you save and never spend, then you too can eventually be a miserable and broke millionaire! And on the other side, just as bad, we can also be so focused on now that we forget to plan for the future or look forward to tomorrow at all.

Our philosophy is not about saving or sacrificing, delaying or deferring. It is about building a lasting legacy. It's about being your own bank, so that you are able to take advantage of opportunity, rather than being taken advantage of. It's about rigging the game in your favor. It's about freeing up cash flow without infringing upon your lifestyle. It's about being able to plan and work toward your future vision while still living fully and enjoying today, because YOU are the one in control.

Cash Flow Insurance is one of the main ingredients of the Rockefeller Method. Another critical aspect of the Rockefeller Method is passing on more than just money from generation to generation. It's about passing on values, philosophies, contribution, and opportunity, to name a few. The Rockefellers treat their legacy like a business. This is done through the proper set-up and execution of an estate plan, and, more importantly, your board and Statement of Purpose:

Statement of Purpose

My Statement of Purpose takes up fifty-one pages out of my eightyseven-page trust document. Yes, I was more "wordy" than my attorney, Andrew Howell. But I had Andrew's blessing because he and I both know that what I'm leaving behind is more than just money. I'm also leaving behind an intellectual legacy of wisdom, knowledge and values.

Below are excerpts from my personal Statement of Purpose. My

method is to write down a Premise, a Vision, a Purpose and a Strategy for each area of life where I have wisdom to share.

- The Premise is the truth about the world as I know it. It's the way things are.
- The Vision is the way I see myself and my family having an impact on the world and the way things are.
- The Purpose is the reason why the Vision is important.
- And the Strategy is how to implement the vision.

Here are some Premise, Vision, Purpose and Strategy excerpts from the Finance section of my Statement of Purpose:

Finance Premise

- Money is a man-made tool of efficient exchange. It is a byproduct of value creation. Although money may be finite, the number of times it can be utilized to facilitate exchange is infinite. In order to have money, it is essential to be a wise steward and accountable to being productive with money.
- Inflation is actually the devaluation of the standard of value known as money; therefore cash flow is infinitely superior to Net Worth.
- It is not only possible to have a lot of money and be spiritual; wealth and spirituality go hand in hand.
- No one individual is an expert in everything when it comes to finance.
- No one cares more about your money than you, so be a steward over your money.

- No amount of luck, discipline, rate of return, or savings will ever matter if one cannot overcome the scarcity mentality, which will inevitably destroy wealth.
- Abundance can exist because even if there is a finite amount of money, it can change hands an infinite number of times through exchange, and will build wealth when that exchange is through solving problems, creating value, and serving others through Soul Purpose.
- Prosperity is evidence of value creation.
- Personal legacy begins today and during one's lifetime. When money and Soul Purpose are aligned, Legacy is lived. It's not just when one dies.
- There is richness to experience, to building knowledge that will be used to serve others, and ultimately increase daily production.
- Building one's Soul Purpose is key in building one's net worth; it is, in fact, the only true financial security that exists.

Financial Vision

- I envision a world with Soul Purpose as the number-one priority for wealth.
- I envision a world where money serves Soul Purpose rather than is the deterrent or obstacle.
- I envision a world where business owners invest in alignment with purpose and make money from their purpose.
- I envision a world where business owners have the fuel and commitment to fund their passion.

- I envision a world where money is no longer the primary reason or excuse for people doing or not doing anything.
- I envision a world where money is put in the proper place, behind purpose.
- I envision a world where financial security comes from Soul Purpose.

Financial Purpose

- Financially, our family will no longer be held captive to false beliefs, limiting and confusing beliefs that limit their progress and happiness. Soul Purpose can now be the main focus in their life and of their finances. Investing becomes aligned with Soul Purpose and brings forth more wealth for everyone. This allows my kids to live a better life (and your kids to live a better life), for me to have more freedom and ultimately to live my passion and deepen my abilities and expertise. When fears about money are removed, relationships improve, health improves, we are no longer slaves, our thoughts become free, and we experience true freedom.
- I can focus on what is most important and I work because I want to, never because I have to in order to make money. This creates clarity, and allows for the mission to be the driver. My family feels secure and their thoughts can focus on happiness and creativity when money flows. I can expand my reach, my business, my education, and initially it grabs people's attention so they can hear the real message. It allows me to be a leader in a time of crisis, not a follower. When money is not the primary concern, the other areas of wealth are now more possible to focus on, to build. This creates conditions of peace and growth, and solves the problems that many face.

Financial Strategy

- Keep life simple financially, the business and fixed liquid accounts titled in the businesses name. There are no such things as good investments, just good people with the right philosophies and discipline to that philosophy, so always know who is behind the investment.
- Read about marketing, communication and human behavior and continue in study or mastermind groups to enhance abilities and hone skills.
- Always pay a mentor or be a part of educational programs.
- Work with the proper people. People that want to live their Soul Purpose to impact humanity.
- People that have influence and databases are multipliers that can reach more people in the shortest amount of time.
- A primary investment strategy is to impact the right people and create ways to impact them as much as possible. Always have contracts and agreements before moving forward on any investment. Before investing, always consider the amount of time it will take. Invest in people. Invest in venues and into the things that will bring forth your vision. For me, it was to uplift and enlighten humanity financially. Make sure you have clean accounting books, review weekly reports and income statements, and keep separate accounts to store money for yourself, when you do things others would normally get paid for. Have great resources when it comes to people that are willing to educate you and expand your investing universe.

THE FINANCIAL TO DO LIST

1. Get crystal clear on your financial status. NOW! And always!
2. Get your kids set up and learn how to use savings plans NOW!!!
3. Hire an accountant and create a cash flow plan and a savings plan.
4. Put together a complete financial strategy and comprehensive financial blueprint (start with a Wealth Factory Financial Health Assessment).
5. Save a minimum of 18% of every check from now on.
6. Set up a Wealth Capture Account that you use to separate your spending money from your investing money.
7. DON'T LOSE MONEY

MORE EXCERPTS

Finance was just the first section where I shared my wisdom and insights. I also filled my Statement of Purpose with thoughts about living an intellectual life, health and fitness, personal character, quality of life and parenting. Here are some of those excerpts:

- If you feed your head with powerful thoughts, through study, meditation and connection to your source, great things will inevitably happen.
- Passion is a fuel for intellect, and experience is superior to merely studying.
- Worry is the enemy of intellect.
- Questions are the gateway to intellect; curiosity and being open to asking things gives a deeper understanding.

- Simplicity is organized intelligence.
- Energy flows where attention goes.
- I engage in conversations that create the conditions for growth, brainstorming, and wealth creation.
- Through meditation and journaling on a daily basis, I have clarity that allows me to transform the world financially and unveil each individual's power in the world.
- I create an environment where people bring their best and live to their highest potential of value creation.
- Travel somewhere or host someone at your house at least monthly who is intellectually engaging and stimulating, allowing you to expand your knowledge.
- Always create an intention to any conversation so it can be powerful and memorable (as if it was your only opportunity to talk with someone or that you would be remembered by the conversation).
- Interview people regularly; do interviews to stay sharp and inventive and invite the best to speak at events and stay at your house to further the conversation and build more wealth.
- Best Questions to get to know someone: What is the single greatest lesson you have learned in your life? If you could have a conversation with yourself ten years ago, knowing what you know now, what would you say? What are the most important things in your life and business? What are the things that work in your life and why? What do you read and whom have you studied? Who have been your mentors? What are your daily rituals that lead to success?

- Being healthy and active increases performance and is a way to feel better in all areas of life.
- Health is foundational to success in all areas of life. When health is working it can be a sign that all other areas of life are working and can create more energy and conditions for creativity.
- A healthy body creates space for a healthy mind. Health gives way to abundant thinking and removes the consumption of self-doubt, self-conscious negative thinking, and instead allows for the space to think clearly.
- Exercise is a key expression to investing in oneself and, therefore, expanding the possibilities of energy and expression of Soul Purpose.
- I have no control over my chronological age, but I can exercise a tremendous amount of control over my biological age. I can choose action that will improve my body and cause it to look and feel younger.
- Character is a muscle that must be exercised to be consistent in all existence and reality.
- Character is consistent in an ever-changing external environment and comes from within.
- Values are the guiding beacon for character. Choose principle over people. Character must be consistent, especially in dealing with other people.
- Character is a commitment and can never be less than 100 percent commitment; otherwise, it is merely an interest. Any missing piece in this premise means that someone else's persuasiveness may lead

one astray without defined Character and Values.

- Integrity is gained by doing what I say I am going to do, when I am going to do it, or at a minimum honoring my word by communicating and making a request to the party I am working or communicating with to invent a new possibility. The most powerful times to have integrity are when it is difficult or if it stretches you or if you don't feel like handling it.
- Enjoy great restaurants, great places, and experiencing the world in fine hotels and extravagant cities as a way to enjoy the fruits of labor.
- Be a steward over the things you have, therefore, do not have so much that it ties you down. It is not necessary to own everything to experience it. You can rent, borrow, or join with others in some areas and in others that are more important to you buy and maintain the material things.
- Quality of life is enhanced when we go on trips that advance our business as a byproduct because we are spending time with the movers and shakers in the world: the people that are at the top of their game and sharing in the personal experience and personal relationship with them.
- I love working with clients who also become friends. Who appreciate what I do for them and implement to get the best results in their life. These are people that are organizers, connectors and initiators. They love our family and become some of our best friends.
- As a parent, I will teach my children to live in this world believing in humanity. They see the value in serving others, including those who are less fortunate than themselves. They will be children who

are brave and take chances on themselves. They believe in their abilities to achieve anything they work towards. They know how to solve problems on their own, and where to turn if they are lost. They understand that God is only going to give them one body, so they take care of it. They understand that they can come to us for guidance and questions. They will play big in life!

Start Your Statement of Purpose Now

We all pick up bits of wisdom and insight over the years. It's not necessary to wait until you form your family trust to begin writing them down. You can start your Statement of Purpose now and write down your thoughts as they come to you. It doesn't have to be perfect. If your descendants expect perfection from you, they expect too much (you can even state that in your Statement of Purpose). But it is very valuable to pass along information to the next generation so that, just like with money, they're not starting life at zero.

We've said it many times, but it's important enough to be said once more: A family trust isn't just about leaving behind money. The Vanderbilt family proved that's not enough. A family trust is also about leaving behind values, traditions and knowledge that will carry on for generations. What you leave behind in your Statement of

Purpose is bound to be read by generations to come, regardless of how much wealth you leave behind.

We don't know what the future will bring. Take advantage of your good health and your family's good health. Take advantage of the favorable laws. Start living your life more fully now, knowing that your future is secure. Find financial freedom by being your own bank, setting up your family for generations to come, and taking step one by setting up your trust and Cash Flow Insurance today!

Statement of Purpose

Appendix

How "Buy Term and Invest the Difference" Really Stacks Up Against Cash Flow Insurance

Imagine that you are buying term life insurance now, and investing the difference back into a qualified plan—into a mutual fund, or wherever else. At some future date, when you retire, you end up with a certain amount of money to live off of—let's say $4,000,000.

So, at sixty-five years old, you have $4,000,000 in your account. You have no more need for term insurance, so you cancel it, figuring that you are now self-insured. You are worth $4,000,000, and if you pass away, you can transfer that money to your spouse or other beneficiaries. Meanwhile, let's say the $4,000,000 you have saved is earning five percent. Because you want to preserve or transfer your wealth to your family or significant other, or simply because you aren't sure how long you'll live, you are going to live off of only the interest. At five percent, that interest comes to $200,000 a year, which, when you take out the taxes you need to pay—$43,247—nets you $156,753 a year. That is your retirement income. And where does a retiree go and get 5% in today's interest rate environment?

We are being very generous in this 5% calculation using Todd Langford of Truth Concepts' calculator. *(See Example 1 on page 125.)*

However, when you don't have any life insurance in your retirement, your assets become your life insurance. Interest only leaves people susceptible to a scarcity mindset, as the number one fear of retirees is running out of money, so you are taught to never touch that $4,000,000 or be at risk. Ultimately, that $4,000,000 ends up going to your beneficiaries, and you never touched any of it.

DISTRIBUTION / Example 1 Earnings Rate: 5% – EOY Withdrawal: ($200,000)	
Account Value: $4,000,000 Earnings Rate: 5.00% EOY Withdrawal: ($200,000) Withdrawal Increase: 0.00%	Illustration Period: 25 State Income Tax: 0.00% 2014 Married Fed. Tax Table
Tax on Earnings	**Tax Credit for Losses**

Year	Beg. of Year Acct. Value	Earnings Rate	Interest Earnings	Gross Withdrawal	Tax Payment	Next Spendable
1	4,000,000	5.00%	200,000	(200,000)	(43,247)	156,753
2	4,000,000	5.00%	200,000	(200,000)	(43,247)	156,753
3	4,000,000	5.00%	200,000	(200,000)	(43,247)	156,753
4	4,000,000	5.00%	200,000	(200,000)	(43,247)	156,753
5	4,000,000	5.00%	200,000	(200,000)	(43,247)	156,753
6	4,000,000	5.00%	200,000	(200,000)	(43,247)	156,753
7	4,000,000	5.00%	200,000	(200,000)	(43,247)	156,753
8	4,000,000	5.00%	200,000	(200,000)	(43,247)	156,753
9	4,000,000	5.00%	200,000	(200,000)	(43,247)	156,753
10	4,000,000	5.00%	200,000	(200,000)	(43,247)	156,753
11	4,000,000	5.00%	200,000	(200,000)	(43,247)	156,753
12	4,000,000	5.00%	200,000	(200,000)	(43,247)	156,753
13	4,000,000	5.00%	200,000	(200,000)	(43,247)	156,753
14	4,000,000	5.00%	200,000	(200,000)	(43,247)	156,753
15	4,000,000	5.00%	200,000	(200,000)	(43,247)	156,753
16	4,000,000	5.00%	200,000	(200,000)	(43,247)	156,753
17	4,000,000	5.00%	200,000	(200,000)	(43,247)	156,753
18	4,000,000	5.00%	200,000	(200,000)	(43,247)	156,753
19	4,000,000	5.00%	200,000	(200,000)	(43,247)	156,753
20	4,000,000	5.00%	200,000	(200,000)	(43,247)	156,753
21	4,000,000	5.00%	200,000	(200,000)	(43,247)	156,753
22	4,000,000	5.00%	200,000	(200,000)	(43,247)	156,753
23	4,000,000	5.00%	200,000	(200,000)	(43,247)	156,753
24	4,000,000	5.00%	200,000	(200,000)	(43,247)	156,753
25	4,000,000	5.00%	200,000	(200,000)	(43,247)	156,753
Total	**4,000,000**	**5.00%**	**5,000,000**	**5,000,000**	**(1,081,168)**	**3,918,832**

DISTRIBUTION / Example 2	
Earnings Rate: 3% – EOY Withdrawal: ($120,000)	
Account Value: $4,000,000 Earnings Rate: 3.00% EOYWithdrawal: ($120,000) Withdrawal Increase: 0.00%	Illustration Period: 25 State Income Tax: 0.00% 2014 Married Fed. Tax Table
Tax on Earnings	**Tax Credit for Losses**

Year	Beg. of Year Acct. Value	Earnings Rate	Interest Earnings	Gross Withdrawal	Tax Payment	Next Spendable
1	4,000,000	3.00%	120,000	(120,000)	(21,712)	98,288
2	4,000,000	3.00%	120,000	(120,000)	(21,712)	98,288
3	4,000,000	3.00%	120,000	(120,000)	(21,712)	98,288
4	4,000,000	3.00%	120,000	(120,000)	(21,712)	98,288
5	4,000,000	3.00%	120,000	(120,000)	(21,712)	98,288
6	4,000,000	3.00%	120,000	(120,000)	(21,712)	98,288
7	4,000,000	3.00%	120,000	(120,000)	(21,712)	98,288
8	4,000,000	3.00%	120,000	(120,000)	(21,712)	98,288
9	4,000,000	3.00%	120,000	(120,000)	(21,712)	98,288
10	4,000,000	3.00%	120,000	(120,000)	(21,712)	98,288
11	4,000,000	3.00%	120,000	(120,000)	(21,712)	98,288
12	4,000,000	3.00%	120,000	(120,000)	(21,712)	98,288
13	4,000,000	3.00%	120,000	(120,000)	(21,712)	98,288
14	4,000,000	3.00%	120,000	(120,000)	(21,712)	98,288
15	4,000,000	3.00%	120,000	(120,000)	(21,712)	98,288
16	4,000,000	3.00%	120,000	(120,000)	(21,712)	98,288
17	4,000,000	3.00%	120,000	(120,000)	(21,712)	98,288
18	4,000,000	3.00%	120,000	(120,000)	(21,712)	98,288
19	4,000,000	3.00%	120,000	(120,000)	(21,712)	98,288
20	4,000,000	3.00%	120,000	(120,000)	(21,712)	98,288
21	4,000,000	3.00%	120,000	(120,000)	(21,712)	98,288
22	4,000,000	3.00%	120,000	(120,000)	(21,712)	98,288
23	4,000,000	3.00%	120,000	(120,000)	(21,712)	98,288
24	4,000,000	3.00%	120,000	(120,000)	(21,712)	98,288
25	4,000,000	3.00%	120,000	(120,000)	(21,712)	98,288
Total	**4,000,000**	**3.00%**	**3,000,000**	**3,000,000**	**(542,806)**	**2,457,194**

Moreover, there's a problem with this scenario: interest rates have been extraordinarily low and investments that are volatile are even worse. So where do you put your money to safely get that 3%? Remember, Suze and Dave say Whole Life insurance is bad. Where do they recommend you get that return? I certainly don't know of any easy place to do that outside of the insurance policy dividends.

So let's be slightly more realistic: let's say you buy term and invest the difference, and that leaves you earning 3%. After tax, that puts your yearly income at $98,288. So you are worth four million dollars, and you're only spending $98,288. Does that seem right to you? See illustration below for this breakdown. *(See Example 2 using Todd Langford of Truth Concepts' calculator on page 126.)*

And the truth is, that was the plan anyway the entire time. Remember the four rules of a financial institution? The investment plan sold to you your entire life—"Wouldn't it be great, Mr. Client, to have amassed a large enough sum of money to live interest-only from our savings?"—how good is that looking now?

Now, let's look at a different scenario: using Whole Life insurance, and investing the difference by utilizing the cash value with your Cash Flow Insurance strategy. And let's use the same number—$4,000,000 Now, you are sixty-five years old, and you have $4,000,000 in assets—AND, with your Whole Life insurance policy, you ALSO have $4,000,000 in a guaranteed death benefit. There is a way to have both. With savings on tax, term insurance, long-term care insurance, earning interest rather than paying it by treating your policy as a bank and the strategies I unveil throughout the book.

If you have both, what does this mean for you? It means that you now have a permission slip to spend your $4,000,000 in assets—because you have a GUARANTEED $4,000,000 going to your beneficiaries in the form of a death benefit, no matter what. You are no

longer held captive to living off interest alone. Whatever you spend when you are alive, when you die, your death benefit will come in and replace that money for your heirs. So now, instead of just spending the interest, you get to spend the interest AND the principal in the later years of your life. You have life insurance that acts as asset insurance, and now all your other assets are free to spend. And what if you live past the twenty years? You now have a large death benefit you can use to create more income, as discussed in detail in Chapters Nine and Ten. Let's look at this closer and do the math.

With a three percent interest rate, and paying down your principal to zero over twenty years, you will be able to spend $247,151 in the first year. That's over fifty percent above the $97,940 in the last scenario! *(See Example 3 using Todd Langford of Truth Concepts' calculator on the following page 129)* Let's take it even further: let's put scenario one back at 5%, and leave scenario two at 3% interest. In scenario one, that's $156,753 a year. Scenario two, with Whole Life insurance, still gives you a whole lot more! So let's take scenario two down to 2%: you still get $232,915. Okay, how about 1%: $216,569. *(See Example 4 using Todd Langford of Truth Concepts' calculator on page 130.)*

With Whole Life insurance, you can only be earning one percent, and you are still much farther ahead on cash flow than with "buy term and invest the difference"—and that's only if you found a safe investment earning five percent! Now, you may be in a position where your cash flow isn't strong enough to allocate any extra money to permanent life insurance at present. If that's the case, there are term insurance policies available that can be converted into a Whole Life policy in the future. So if you have to buy term insurance, don't just go for the cheapest option; make sure your policy has convertibility built in. And with a company that you would want your banking policy with when you convert it.

DISTRIBUTION / Example 3 Earnings Rate: 3% – EOY Withdrawal: ($268,863)	
Account Value: $4,000,000 Earnings Rate: 3.00% EOYWithdrawal: ($268,8630) Withdrawal Increase: 0.00%	Illustration Period: 20 State Income Tax: 0.00% 2014 Married Fed. Tax Table
Tax on Earnings	**Tax Credit for Losses**

Year	Beg. of Year Acct. Value	Earnings Rate	Interest Earnings	Gross Withdrawal	Tax Payment	Next Spendable
1	4,000,000	3.00%	120,000	(268,863)	(21,712)	247,151
2	3,851,137	3.00%	115,534	(268,863)	(20,596)	248,267
3	3,697,808	3.00%	110,934	(268,863)	(19,446)	249,417
4	3,539,880	3.00%	106,196	(268,863)	(18,261)	250,601
5	3,377,213	3.00%	101,316	(268,863)	(17,041)	251,821
6	3,209,667	3.00%	96,290	(268,863)	(15,785)	253,078
7	3,037,094	3.00%	91,113	(268,863)	(14,490)	254,372
8	2,859,344	3.00%	85,780	(268,863)	(13,157)	255,705
9	2,672,262	3.00%	80,288	(268,863)	(11,784)	257,079
10	2,487,687	3.00%	74,631	(268,863)	(10,370)	258,493
11	2,293,454	3.00%	68,804	(268,863)	(9,413)	259,450
12	2,093,395	3.00%	62,802	(268,863)	(8,513)	260,350
13	1,887,344	3.00%	56,620	(268,863)	(7,585)	261,277
14	1,675,092	3.00%	50,253	(268,863)	(6,630)	262,233
15	1,456,481	3.00%	43,694	(268,863)	(5,647)	263,216
16	1,231,313	3.00%	36,939	(268,863)	(4,633)	264,230
17	999,390	3.00%	29,982	(268,863)	(3,590)	265,273
18	760,508	3.00%	22,815	(268,863)	(2,515)	266,348
19	514,461	3.00%	15,434	(268,863)	(1,543)	267,319
20	261,032	3.00%	7,831	(268,863)	(783)	268,080
Total	**- 0 -**	**3.00%**	**5,377,257**	**5,377,257**	**(213,495)**	**5,163,762**

DISTRIBUTION / Example 4 Earnings Rate: 1% – EOY Withdrawal: ($221,661)	
Account Value: $4,000,000 Earnings Rate: 1.00% EOYWithdrawal: ($221,661) Withdrawal Increase: 0.00%	Illustration Period: 20 State Income Tax: 0.00% 2014 Married Fed. Tax Table
Tax on Earnings	**Tax Credit for Losses**

Year	Beg. of Year Acct. Value	Earnings Rate	Interest Earnings	Gross Withdrawal	Tax Payment	Next Spendable
1	4,000,000	1.00%	40,000	(221,661)	(5,092)	216,569
2	3,818,339	1.00%	38,183	(221,661)	(4,820)	216,841
3	3,364,861	1.00%	36,349	(221,661)	(4,545)	217,117
4	3,449,548	1.00%	34,495	(221,661)	(4,267)	217,395
5	3,262,282	1.00%	32,624	(221,661)	(3,986)	217,675
6	3,073,345	1.00%	30,733	(221,661)	(3,702)	217,959
7	2,882,417	1.00%	28,824	(221,661)	(3,416)	218,245
8	2,689,580	1.00%	26,896	(221,661)	(3,127)	218,535
9	2,494,815	1.00%	24,498	(221,661)	(2,835)	218,827
10	2,298,102	1.00%	22,981	(221,661)	(2,540)	219,122
11	2,099,421	1.00%	20,994	(221,661)	(2,241)	219,420
12	1,898,754	1.00%	18,988	(221,661)	(1,940)	219,721
13	1,696,081	1.00%	16,961	(221,661)	(1,696)	219,965
14	1,491,380	1.00%	14,914	(221,661)	(1,491)	220,170
15	1,284,633	1.00%	12,849	(221,661)	(1,285)	220,377
16	1,075,818	1.00%	10,758	(221,661)	(1,076)	220,585
17	864,915	1.00%	8,649	(221,661)	(865)	2220,796
18	651,902	1.00%	6,519	(221,661)	(652)	221,009
19	436,760	1.00%	4,368	(221,661)	(437)	221,224
20	219,467	1.00%	2,195	(221,661)	(219)	221,442
Total	**- 0 -**	**3.00%**	**433,225**	**4,433,225**	**(50,232)**	**4,382,994**

About the Author

Garrett B. Gunderson

Garrett Gunderson is an entrepreneur, financial advocate, author of the *New York Times* bestselling financial blockbuster *Killing Sacred Cows*, and the Chief Wealth Officer of Wealth Factory (WealthFactory.com). He has appeared on hundreds of radio programs and in hundreds of newspaper articles, as well as on television shows such as *ABC News Now, Your World* with Neil Cavuto on Fox, CNBC's *Squawk on the Street*, and *First Business*. He is also a regular contributor on Entrepreneur.com and Forbes.com

Garrett has personally helped thousands of business owners keep more of the money they make and generate more cash flow using a simple personal finance and investment strategy. He discovered a part of this strategy at age nineteen, and since then he IBT unveiled more strategies and ways to maximize opportunities, such as investing in real estate, buying businesses, paying off high interest loans, and earning stable interest during economic crises and stock market collapses.

Because of this strategy, Garrett won't have to buy long-term care insurance, won't waste any money on unnecessary life insurance unlikely to ever pay out, and has found a way to compound his interest without compounding his taxes—and still maintain full access to his money. Through this strategy, Garrett doesn't have to know what the stock market is doing—ever—so there's no stress or worry about that. Yet through savings, efficiency, opportunity and strategy, his overall returns have been over fifteen percent, while his cash has earned over five percent without risking a single penny.

Garrett has dedicated his career to debunking the many widely accepted myths and fabrications that undermine the prosperity and

joy of millions of hard-working, honest business owners. A champion of finding spendable cash for entrepreneurs without having to work harder, take more risk or increase overhead, Gunderson has a mission for Wealth Factory: to manufacture economic independence for one million entrepreneurs, show 100,000 people how to capture their wealth without cutting back, help 10,000 businesses buck the banking system and establish their own financing systems, and create a comprehensive financial team for 2,000 up-and-coming businesses.

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