BankNotes

November 2010

NELSON NASH'S MONTHLY NEWSLETTER

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BankNotes newsletter archives are located on our website: www.infinitebanking.org/banknotes.php

Nelson's Favorite Quotes of the Month

Perhaps the fact that we have seen millions voting themselves into complete dependence on a tyrant has made our generation understand that to choose one's government is not necessarily to secure freedom. Friedrich August von Hayek

Government is a broker in pillage, and every election is sort of an advance auction sale of stolen goods. H. L. Mencken

Annuities Vs. Life Insurance

Lately, it has been my observation that a number of Life Insurance Agents have put undue emphasis on the sale of annuities in their business practices. Annuities are not adding to the concept of "banking." It is an "easy sale" that puts commissions in the pocket of agents right now but does nothing to displace the banking function that has created such an enormous tragedy to American citizens. Continued pursuit of the "easy sale" will ultimately lead agents away from the mission of displacing the bankers in the lives of clients and prospects.

Earl Nightingale, in his monumental speech, The Strangest Secret, demonstrates that "… you become what you think about…"

Early in every seminar that I conduct, it is emphasized that "how you think" makes all the difference in your life. An annuity is the opposite of life insurance -- it is depleting wealth over a period of time. It is the taking of a principal sum and doling it out, whereas, life insurance is the immediate creation of an estate that is engineered to get better with time. Furthermore, please study the illustrations in my book, Becoming Your Own Banker, and note that there is income to the policy owner in every case and that the income does not destroy the ultimate death benefit.

Wealth has to reside somewhere and banking facilitates the movement of wealth. Ask yourself, who performs this banking function? When people turn this function over to the bankers they are empowered to turn folks into victims. The bankers will "paint them into a corner" every time. Study history of money and banking and see if this is not true. Sir Josiah Stamp, President of the Bank of England in the 1920's said, "……but if you want to continue the slaves of bankers and pay for your own slavery, let them continue to create money and control credit."

This should be the paramount emphasis of every agent who teaches The Infinite Banking Concept – get the banking function down to the level of you-and-me, making it personal.

I will admit that there are a number of prospects out there in the big, wide world who are not candidates for the banking concept and that an agent can make a commission by selling them an annuity. But, there are plenty of prospects who are. Why not spend time with these folks instead? - *R. Nelson Nash*

Nelson's favorite articles from the last month's reading

Broke and Jobless: 85% of College Grads Moving Home

by Mac Slavo

In yet another sign of the times, 85% of college graduates surveyed have reported that they will be moving home after they get their degrees:

Stubbornly high unemployment – nearly 15% for those ages 20–24 – has made finding a job nearly impossible. And without a job, there's nowhere for these young adults to go but back to their old bedrooms, curfews and chore charts. Meet the boomerangers.

"This recession has hit young adults particularly hard," according to Rich Morin, senior editor at the Pew Research Center in DC.

So hard that a whopping 85% of college seniors planned to move back home with their parents after graduation last May, according to a poll by Twentysomething Inc., a marketing and research firm based in Philadelphia. That rate has steadily risen from 67% in 2006.

"It's peaking at levels we have not seen before," said David Morrison, managing director and founder of Twentysomething.

While unemployment for college grads is 15% according to Bloomberg, we know for a fact that the overall rate of unemployment, per economist John Williams of Shadow Stats, is actually at around 22%.

It's not just college students, it's everybody – one in five able-bodied Americans are out of work right now.

There is a reason that these numbers, especially for college grads, are peaking at levels we have never seen before: it's because our economy is shambles with no clear recovery in sight.

According to the New York Times, we've lost so many job through this year, that at this rate it will actually take until the year 2020 to recoup most of them. That is, just to break even! Our economy has to create 150,000 jobs per month just to keep the current employment/unemployment rate at current levels – and that is simply not happening. In essence, even if we add 50,000 jobs per month, we're technically still increasing our unemployment rate because more people are hitting the workforce each month than there are jobs created.

The important consideration to make is that the 2020 estimate is based on economic conditions up until now, not accounting for the potential losses to come. It seems that this statistic actually forecasts growth going forward, not additional losses. When you hear 2020, you're hearing a "best case" scenario.

For savvy SHTFplan readers, you know that unemployment is actually going to rise, as there is no economic growth to be had. Thus, for all we know, we may not see recovery in employment for several decades.

For college grads, it gets even worse. Not only can they not find a job, but they are putting financial pressure on their parents, who will now have to continue providing a home, food, and utilities until such time that their boomerang kid can get some meaningful work and contribute financially to the household. On top of that, they are debt laden with an average debt of over $23,000 once they graduate college. Considering that up until the recession, the average graduate made just $30,000 per year in an entry level position, and the fact that those types of jobs are no few and far between, we can see the potential for a new round of debt-defaults in the near future.

Can anyone say College Loan and Education Bubble?

The theory of "biflation," one that we have presented to our readers in the past, suggests that there is a possibility of price deflation in debt-based assets such as homes, and price inflation in essential goods such as food and energy. We'd mark college education as a debt-based asset, because these days most students depend on loans to pay costly tuition fees. This, like home prices, is simply not sustainable. The very same bubble that was created by easy Fed lending policies has led to a similar situation in college education.

As credit became loose, and everyone with a pulse applied for a college loan and got one, the price of college education rose sharply.

We can confidently forecast a drop in college tuitions coming to campuses around the country in the very near future. Note, however, that these price decreases will be in "real" terms, as opposed to "nominal" terms. Don't forget, The Fed is still printing tens of billions of dollars every month, and as such, the dollar-based price of pretty much everything is likely to go up. In real terms, however, say, compare to gold or energy or food, the price of college tuition (and housing) is going to see contraction.

Reprinted from SHTF Plan.

October 18, 2010

Mac Slavo is a small business owner and independent investor.

The Great Pension Lie

By Vasko Kohlmayer

American Thinker

"More than 3 million demonstrators – one in 20 of all French of all French people – marched yesterday against the President's plans to raise the standard retirement age from 60 to 62," reported the UK Independent last week.

Strictly speaking, the protests are not really about France's retirement age. After all, Frenchmen are perfectly free to retire at any age. There is nothing that holds them from quitting their jobs at 55 or 50 or even earlier should they be so inclined.

What the protests are really about is the desire of the French to begin state-sponsored retirement at one of the lowest retirement ages in Europe. For comparison, the retirement age in Germany and Denmark is 67. Britain is planning to increase pension eligibility to 68.

But the French have a problem: The government does not have the money to indulge the wishes of its citizenry. The French state is broke. France's pension program is currently running a €32 billion deficit. With increasing life expectancy and fewer young people in the workforce, the figure is estimated to double within a couple of decades.

The fact is that the French government cannot afford to provide the kind of pensions demanded by the population. The French people, however, are apparently unimpressed by such excuses. They demand that the state provide anyway. And to get their way, they are prepared to turn their country upside down. This is how bad things stood last week:

Rail and air services were severely disrupted... Many schools and government offices, and even the Eiffel Tower, closed. Eleven out of the nation's 12 oil refineries were wholly or partially closed in what local union branches threaten could become an indefinite stoppage to topple the pension reform. The state railway company, the SNCF, warned last night that it expected widespread cancellations...

This is a truly desperate situation: The impossible is demanded and social disorder is threatened if the impossible is not delivered. The state cannot make good on its promises and the citizens refuse to acknowledge that fact.

The coming on of this impasse was not unpredictable. It was, in fact, unavoidable. This is because no government can provide for the well-being of its citizens over the long run, be it through healthcare, employment or retirement. All such efforts inevitably culminate in fiscal calamity, which then morphs into social crisis.

Experience shows that all large-scale public retirement programs sooner or later turn into Ponzi schemes whereby pensions of current retirees are drawn from taxes paid in by the working population. Due to falling demographic trends that afflict welfare countries, there inevitably comes a point a point when the racket runs out of money. The citizens, however, do not easily relinquish the promised goodies. The politicians in charge have to give in if they want to stay in office. The enraged populace will accept nothing less. Kicking the can down the road is the pretty much the only option for politicians in modern western democracies where people have been conditioned to be taken care of by their government. But deficits and borrowing cannot go on forever. Things must eventually come crashing down, and in a bad kind of way.

This fatal dynamic is also playing itself out in the United States, where the government has promised to provide for citizens in their old age. This is a high-sounding notion, but one that can never be fulfilled. As in France, the US government is broke and in no position to deliver on its promises. Estimates of entitlement liabilities inherent in Social Security and Medicare range from $65 trillion to $200-plus trillion. Even the lower end estimate is completely out of the realm of fiscal possibility.

Nor will anything be done about it, since it is not for nothing that entitlements are called the third rail of American politics. Politicians just keep kicking the can down the road while contracting ever greater debts. Bad though they may be, it is wrong to blame the politicians for our woes, for they ultimately only do our bidding. The idea that Social Security needs to be scrapped would not go down well with the voting public.

We set out on the road to fiscal woe when we fell for that great lie: that the state will provide for our well-being and welfare. But this is an unaccomplishable task. Despite what we have been told, the state cannot provide education, retirement and job security over the long haul. The only way to have these things is to obtain them through our own efforts.

Self-reliance is not always be easy, but it can be done. Our ancestors showed us how. They managed to live in functioning civil society with almost no federal involvement. There was no Social Security or government healthcare then. It bears to keep in mind that they lived in a technologically far less advanced age, when life was much harder than it is today. And yet they did not look to the state to take care of their needs. They did what they had to do themselves.

Why could we not do the same? Why do we now instinctively turn to government the moment we encounter trouble or experience a need? It is this attitude that in the final analysis accounts for the fact that we are now broke as a country. In a mob democracy such as we have today, the state's tendency is to promise all things to all people. Unfortunately, this can never work.

The choice we face is stark: Either we summon the strength to face the truth and choose to follow the path of self-reliance treaded by our forefathers, or we will continue on the road to doom with open eyes. The former would certainly seem the more courageous and sensible way. It would also be much less painful.

Reprinted with permission from the American Thinker.

October 23, 2010

Born and raised under a totalitarian regime, Vasko Kohlmayer [send him mail] is a freelance writer who loves liberty.

Sixth in a monthly series of Nelson's lessons, right out of <u>Becoming Your Own Banker</u>®. we will continue until we have gone through the entire book.

PART I LESSON 6: *BECOMING YOUR OWN BANKER*®

Content: Page 16, *Becoming Your Own Banker – The Infinite Banking Concept®*, Fifth Edition, Third Printing.

The Grocery Store

Now we are going to face the complications at your grocery store. Let's assume that you are a male, married, with children -- where is your spouse going to shop -- your store or somewhere else? Your store, of course! She comes in and fills her cart with groceries. Here comes the complicated part, so pay close attention. This point is critical and requires complete honesty. Out of which door does she want to take the groceries -- front or back?

When asked this hypothetical question, an amazing number of people will admit that "she will probably want to go out the back door, avoiding the cashier at the front door." This is a polite description of theft! More retail businesses have been destroyed or severely limited by this factor than any other. It is a feeling among owners and those related to them that "this is our business and I can do anything I want to!" Unless this feeling is overcome the business is doomed. Remembering from lesson 5 the small markup on the can of peas -- this means that if your spouse steals one can of peas, you have to sell 20 to make up for it

Furthermore, can she go out the back door with groceries, over a period of time, without the employees witnessing her act? And what will they do? Right! They will do the same! I'm trying to paint the picture of how devastating theft is to a retail business. I'm told that 85% of theft in a retail business is by employees.

There is another factor that makes owners want to go out the back door with goods. All businesses have a "silent partner" – the IRS. If your spouse goes past the cashier at the front door and pays retail for the peas, it means that your store will make more money than if she went out the back door. And the IRS posture is -- "the more you make, the more we take."

Imagine a situation where there is no income tax on the sale of groceries. Now we have eliminated one of the reasons to go out the back door. The only problem that remains is the urge to use the back door privilege. This must be overcome – your business is at stake.

In addition, you and your family (plus maybe some others) are "captive customers." You are not going somewhere else to buy groceries. If you charge these captive customers wholesale prices you will make no profit and you have defeated the entire reason for being in business. If you charge them retail prices you are assured of profit. But, these are "captive customers" -- why not charge these folks 62 cents for the can of peas? Instead of making 3 cents you are now making 5 cents. Your have increased your profit margin significantly! The extra 2 cents will go directly to additional capital and it will enable you to buy more peas to sell to other customers – and there is an unlimited demand for peas! Hopefully, you can see what continued use of this practice can do to the profitability of your business. Do this over a long period of time and your record books will show a superior profit picture.

When you sell your business many years later, you are in competition with others that have not obeyed these principles. He and his family members took goods out the back door. His record books will never look as good as yours. In fact, he will probably have gone out of business some years ago.

Even if he is still around, can you guess which business will bring the better price? Yours!

With the proceeds from the sale you can buy a huge annuity and have income deposited monthly directly to your bank account at retirement time.

I hope that you have learned this little lesson well because we will re-visit the grocery store many times in this course of study. If you understand the grocery store, the rest of learning how to be your own banker is a "piece of cake."

Grocery stores are in the business of moving groceries to customers. When you sell something you must replace the item to sell again. If you own the store don't steal the peas!

Banks are in the business of "renting money" to customers. When they lend money they must get it back, with interest. If you own the bank don't steal the money!

Pretty simple, isn't it?

Nelson's newly added Book Recommendations

Omnipotent Government by Ludwig von Mises

America's Great Depression by Murray Rothbard

Start With Why by Simon Sinek

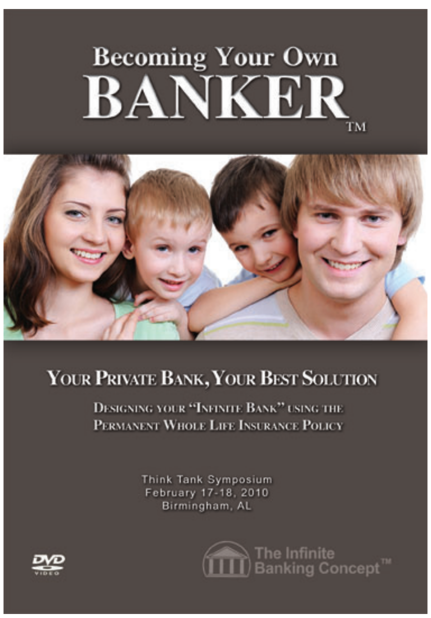
SAVE THE DATE - IBC THINK TANK SYMPOSIUM, FEBRUARY 9-10, 2011

The next Infinite Banking Concepts® Think Tank SYMPOSIUM is scheduled for 9-10 February, 2011.

The "Seen" and the "Unseen" of Private Banking is the theme for this event.

Our Infinite Banking Concepts® Think Tanks promote economic education through the sharing of IBC success stories, case studies, and advanced private banking ideas. New materials and products are introduced - there are presentations from financial services professionals and noted published economic educators.

If you have not attended an IBC Think Tank, and wish to see what they are all about, we sell DVD sets of past Think Tank conferences on our website; check the video section of our website store.



Birmingham, Alabama location to be announced.

Detailed agenda and speakers to be announced. I can tell you that if you missed the "Night of Clarity" in Nashville this past July, both Carlos Lara and Robert Murphy will be on the agenda.

Look for an email registration announcement soon.

If you know you will attend, please let me know as soon as possible.

Sincerely,
David Stearns
david@infinitebanking.org
phone: 205-276-2977

Nelson Nash's live Events for the next two months

Nelson live in Salem, OR, Thursday, Nov 4 - Friday, Nov 5, contact Michele McFie, Michele@Life-Benefits.com, 503-363-LIFE (5433)

Nelson live in Little Rock, AR, Thursday, Nov 1 - Friday, Nov 12, contact Becky Rice, becky@rebeccarice.net, 501-221-7400

Nelson live in Cincinnati, OH, Friday, Nov 19 - Saturday, Nov 20, contact Rich Villers, rich@msfai.com, 513-891-7019

Nelson live in Lancaster County, PA, Thursday, Dec 2 - Friday, Dec 3, contact Heather Colon, heather@familywealthandwisdom.com, 888-626-5750 or 717-626-4072

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David Stearns
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