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The Top 10 Reasons NOT to BUY Equity Indexed Universal Life

By Todd Langford, www.truthconcepts.com
Mt. Enterprise, Texas

Todd provided this article for inclusion in Nelson Nash's new book Building Your Warehouse of Wealth*, due this summer.*

Insurance companies have put numerous pages on the front of Equity Indexed Universal Life (EIUL) illustrations that describe the issues below, but most people (by design) will not take the time to read and understand what these pages are saying. I would encourage you to read those pages thoroughly before depending on an EIUL policy to increase your assets or protect your family. Similarly, Universal Life (UL) and its cousin Variable Universal Life (VUL) have some of the same problems so I've spelled out the issues below and placed an * next to the ones that are specific only to EIUL. As stated earlier, all Universal Life policies are a side fund (money market for regular UL, mutual fund-like separate accounts for VUL, and index fund-like accounts for EIUL) plus annually renewable, or one year increasing premium term insurance for the death benefit.

#10 Internal costs are not guaranteed

#9 Mortality charges are not guaranteed

#8 Market drops cause double pain

#7 Late premiums kill any guarantees

#6 Dividends from the index don't get credited*

#5 Participation ratios are often less than 100%*

#4 Returns are usually capped at various interest rates*

#3 Guarantees are not calculated annually*

#2 All of the above can be changed by the company

#1 The risk is shifted back to the insured

Now, let's look at each of these individually and tell the whole truth about the matter.

10. Internal administration fees charged against cash value on any type of Universal Life policy and shown on illustrations are run under current expense levels but those can change at the discretion of the company. Since the insurance company uses this money to run its operations, as prices of office supplies and real estate go up, they may choose to adjust these internal costs after you have bought the policy.

9. Mortality changes, what the insurance company charges for the death benefit are removed from the cash value or paid by premiums. In UL, these pay for annually increasing term insurance costs. This is true for any type of UL, no matter what the side fund is invested in. The cost for this one year term insurance can be changed at any time.

8. Market drops affect the side fund negatively no matter what the side fund is invested in. Since the death benefit is comprised of the One Year (or annually increasing) Term Insurance plus the side fund, any market drop causes double pain. Markets can drop regardless of whether they are supported by stocks or money markets. When the side fund is reduced by a

drop in the market or current interest rates, it now has less value so more Term Insurance must be bought to make up the difference which further reduces the side fund. Consequently you have double pain; less cash value and higher costs.

7. Any late premiums remove any guarantees in the policy. In most UL policies, even if the premium is finally paid, once it is late, the insurance company is off the hook for supporting any guaranteed premiums, cash value amounts or death benefits. In many cases, the insured may not even know that a premium was late and that the guarantees have been forfeited. Thinking about the time frame of a 50 year policy paid monthly (600 payments) ask yourself what the likelihood is of a mistake being made by the premium payer, their bank, the post office, the insurance company clerks or anyone else along the way?

6.* Equity Indexed Universal Life policies provide the policy holder no credit for any dividends from the stocks making up the index. The side fund of an EIUL isn't actually invested in the index; instead the index is used to determine the gross crediting rate for the side fund. If money were actually invested in the index, the investor would get both the change in Net Asset Value (whether up or down) AND the dividend income. However, in the case of EIUL, only the change in value of the index is the determining factor and the dividend is left out of the calculation entirely.

5.* Participation ratios are often less than 100%. As mentioned directly above, the side fund is not invested directly in the index and many insurance companies only credit a certain percentage of the increase in the market. Known as the participation ratio, this is often reported at 80% or less meaning you are getting only 80% of the increase in the market.

4.* Capping returns in order to keep high returns in the market from crediting too much to the side fund is a strategy many insurance companies use. The maximum return they'll give credit for may be at a certain percentage rate even though the index may have generated a higher percentage rate.

3.* Guaranteed minimum returns are not always calculated annually. Most EIUL policies have a guaranteed minimum return so that if the index drops below this rate, the insurance company will still credit at the guaranteed minimum rate. However, with some policies this guarantee is not applied annually but instead over an "indexing period" which could be 5-10 years. So you could have negative years in the index (below the guaranteed minimum rate) which would be applied to the side fund. This would cause a further reduction of value in excess of the guaranteed minimum rate in one particular year and as long as the overall average rate for the entire indexing period is not less than the guaranteed minimum rate, this would still count as meeting the minimum.

For example, if the minimum guaranteed rate is 2% inside a 5 year indexing period, you could have crediting rates of +13, -10, +10, -8 and +9% which would validate the promised guarantee because it would average more than 2% per year over the 5 years. The implication is that you cannot have a negative return, but as shown in the example below, you can have a negative return as long the guarantee is not calculated annually.

Cash Flow

Years: 5
Present Value:
Earnings Rate:

AVERAGE Investment Yield: 2.80%
ACTUAL Investment Yield: 2.01%

Year	Beg. Of Year Acct. Value	Earnings Rate	Annual Cash Flow	Interest Earnings	End of Year Acct. Value
1		13.00%	10,000	1,300	11,300
2	11,300	(10.00%)	10,000	(2,130)	19,170
3	19,170	10.00%	10,000	2,917	32,087
4	32,087	(8.00%)	10,000	(3,367)	38,720
5	38,720	9.00%	10,000	4,385	53,105
Totals	38,720	2.80%	50,000	3,105	53,105

You'll notice another example below of the same interest rates, but with $100,000 of existing value instead of $10,000 per year of cash flow into the account.

Cash Flow

Years:	5
Present Value:	100,000
Earnings Rate:	

AVERAGE Investment Yield: 2.80%

ACTUAL Investment Yield: 2.33%

Year	Beg. Of Year Acct. Value	Earnings Rate	Annual Cash Flow	Interest Earnings	End of Year Acct. Value
1	100,000	13.00%		13,000	113,000
2	113,000	(10.00%)		(11,300)	101,700
3	101,700	10.00%		10,170	111,870
4	111,870	(8.00%)		(8,950)	102,920
5	102,920	9.00%		9,263	112,183
Totals	102,920	2.80%		12,183	112,183

2. At the discretion of the company any of the above factors can be changed at any time for the benefit of the company even after the policy has started. This is really one of the scariest aspects of all types of UL. There is no way to calculate what the outcome might be. Even if you analyzed the policy under the current structure and found it to be a viable tool, future changes could cause future problems.

1. Where as typically the point of all insurance purchased is to shift the risk from the insured to the company, all types of UL shift the risk backwards or from the insurance company to the insured.

With a mutual life insurance company, a whole life policy gives you a share of the entire profits of the company via dividends. The carrot being sold with EIUL is that it might exceed the return of a whole life policy. Yet this begs the question: How could the insurance company pay out more than the profits of the company and still be in business?

It has been explained to me that the insurance company buys options in the market to cover the risk of potentially having to credit any portion of high market returns in the index that exceeded their general portfolio rate to policy holder cash values. If this was a sound investment strategy, why wouldn't the insurance company use this strategy on their overall portfolio? I think the insurance company knows that the stock market is going to under perform their portfolio rate over time. This could reduce EIUL profits and increase the profits of the company, which then get distributed as dividends to whole life policy owners.

As a whole life policy owner, I should be pleased that EIUL could contribute additional profits to the company which might increase dividends to Whole Life, my concern is that EIUL policies are going to create a detrimental effect on the life insurance industry as a whole. I believe this may be the next major blight on the industry since under funded Universal Life (UL) so heavily promoted in the 1980's. The unfortunate outcome is that any negative media affects the entire industry because the media doesn't differentiate between the new faulty products and the old tried and true whole life products that have been around for close to 200 years. As we know, the biggest danger with negative press is that is causes panic and the people will think the entire life insurance industry is bad and many perfectly structured whole life policies could get cancelled to the detriment of the policy holder and their family, just like what happened in the 1980's.

Remember #2 above, since the insurance company has the ability to change #10-#3, they can always keep the Universal Life policies from outperforming their portfolio. Why would I want to take the safe portion of my assets and the protection of my family and expose it to risk? Doesn't that defeat the whole purpose of insurance? In my mind, I buy insurance and shift the risk to the insurance company, because they are experts at mitigating that risk and storing the cash to support it.

If you are seriously considering purchasing an EIUL product, please make sure you read and understand all the risks you and your family are assuming. Because of the complexity and numerous moving parts for this product, many of the people selling it that I've spoken with don't even understand it themselves. For me, I prefer a number of simple, guaranteed, tried and true

whole life policies. These protect my Human Life Value and store my cash in the most efficient manner I know.

Todd provided this article for inclusion in Nelson Nash's new book Building Your Warehouse of Wealth, due this summer.

The Seven Rules of Bureaucracy

by Loyd S. Pettegrew and Carol A. Vance

Harry E. Teasley Jr

One of Wolfman Jack's favorite tongue-in-cheek commercials, delivered in his raspy voice, went like this: "You say ya kids ain't got no clothes, ya ain't got no food in the frigerator — THEN BUY YOURSELF A COLOR TV BABY!"

This facetious admonition, spending way beyond ones means, is exactly how government at the federal, state, and local levels have been behaving over the past 50 years. Even worse, government at all levels has been enabling Americans to do the same.

Gone are the days when both the people and their government lived within their means. With 44 percent of households receiving some form of federal subsidy and the majority of Americans not paying any taxes, our country is now more the land of entitlements than the land of opportunity (Boskin, 2011; Heritage Foundation Report, 2011).

With the current challenge of reducing the runaway government spending and an entitlement mentality by citizens, it is quite possible to trim $4 trillion by reining in just our federal bureaucracy. Thomas Sowell suggested that to do so, we must further examine and challenge the giant economic leviathan of our government bureaucracy. The Office of Management and Budget revealed that the executive branch of our federal government grew by 23 percent since President Obama took office. The Wall Street Journal (2012) opined that the president has "presided over the largest expansion of government since LBJ — health care, financial regulation," and in so doing has spent 24 percent of our nation's GDP.

Unfortunately, both taxpayers and the media get social amnesia, seldom holding bureaucrats' feet to the fire when programs they created fail or simply don't do what they were designed to do. Sowell (1995, p. 257) reveals part of this problem in The Vision of the Anointed:

When the government creates some new program, nothing is easier than to show whatever benefits that program produces.… But it is virtually impossible to trace the taxes that paid for the program back to their sources and to show the alternative uses of that same money that could have been far more beneficial.

Even worse, bureaucrats and their supporters are loath to admit when their programs have harmful consequences and are inclined to double-down on a failing policy once it has proven its worthlessness. The classic example is Representative Barney Frank who as recently as 2009 announced that he was planning to introduce legislation that would increase the FHA loan ceiling by an additional $100,000 to $839,750 (New York Times, 2009).

Bureaucracy: A Root Evil

In order to understand the foundation of America's morass, we must examine bureaucracy. At the root of this growing evil is the very nature of bureaucracy, especially political bureaucracy. French economist Frédéric Bastiat offered an early warning in 1850 that laws, institutions, and acts — the stuff of political bureaucracy — produce economic effects that can be seen immediately, but that other, unforeseen effects happen much later. He claimed that bad economists look only at the immediate, seeable effects and ignore effects that come later, while good economists are able to look at the immediate effects and foresee effects, both good and bad, that come later.

Both the seen and the unseen have become a necessary condition of modern bureaucracy. Max Weber, considered the father of modern bureaucracy largely in response to the Industrial Revolution, is credited with formalizing the elements of bureaucracy as a fundamental principle of organization. He was also painfully aware of the arbitrariness of bureaucratic decision processes. In a speech he gave to the German Association for Social Policy in 1909, he trumped his abiding commitment to bureaucracy with a decided uneasiness of its adoption by government

and universities (Mayer, 1944).

That the world should know not me but these: it is in such an evolution that we are already caught up, and the great question is therefore not how we can promote and hasten it, but what we can oppose to this machinery in order to keep a portion of mankind free from the parceling-out of the soul, from this supreme mastery of the bureaucratic way of life.

Free-market economists have challenged government bureaucracies since the 1920s. Ludwig von Mises, in the preface to his 1944 edition of Bureaucracy, asked if Americans should give away their individual freedom and private initiative for the guardianship of the bureaucratic state. He warned,

America is an old democracy and the talk about the dangers of bureaucracy is a new phenomenon in this country. Only in recent years have people become aware of the menace of bureaucracy, and they consider bureaucracy not an instrument of democratic government but, on the contrary, the worst enemy of freedom and democracy. (Mises, 1944, p. 44)

Harry Teasley warns us that US history is full of examples of government bureaucracy arbitrarily passing out benefits and, in so doing, overriding and sometimes punishing the free market. The perfect example of this is the recent housing bubble, the grounds for which started with the Fair Housing Act and government underwriting of Fannie Mae and Freddie Mac. Yet amid the chaos of the ensuing financial meltdown, Congress decided to punish banks and further regulate them to make risky mortgage loans in the name of social justice (see Sowell's The Housing Boom and Bust, 2009). Teasley concludes that the free market has historically done a better job of distributing benefits justly and adjusting to any unintended consequences efficiently and effectively.

One of the truisms of bureaucracies, be they government or private sector, is that if left to their own devices, they will grow bigger, bolder, and less manageable over time. Teasley has seen this happen over and over again and put his considerable intellect to how its apparatus works. John Baden has offered us one of the most promising, yet ignored, solutions to the bureaucratic leviathan. Baden (1993) puts the problem at the feet of politicians concentrating benefits and dispersing costs and believes "predatory bureaucracies" would allow bureaucracies to feed on themselves with the most effective and efficient bureaucracy taking money and responsibility away from those that are less efficient and effective. While a provocative theory, the problem lies in the very rules that underpin bureaucracies. Despite the concept being nearly 20 years old, it has not been attempted, let alone enacted in any meaningful or widespread way.

Harry Teasley has spent his life confronting bureaucracy. This has given him superb insight into the dynamics that give rise and cover to bureaucracies. He has also fought governmental bureaucracies successfully. We argue that knowing these rules can help Americans set a course away from statism and political service as a profession and career, and lead our country back to fiscal solvency and exceptionalism through dismantling bureaucracy.

Rules of Bureaucracy

Rule #1: Maintain the problem at all costs! The problem is the basis of power, perks, privileges, and security.

Teasley correctly points out that problems, not solutions, are the basis of bureaucratic power, perks, privilege, and political security. In politics, the tougher the problem appears, the more resources must be devoted to it. Political careers have been made by bureaucrats promising to fix problems. Bureaucrats feign trying to fix problems while usually making them worse. This is because maintaining the problem creates constituent dependency and allows the bureaucrat to show tangible evidence that he or she is working hard for constituents and their cause. It also allows bureaucrats to spend lavishly and, seemingly endlessly, on new government programs and employees. Examining the three "wars against" created by politicians in the last 50 years provides ample illustration of rule #1.

The War on Poverty

In 1964 President Lyndon Johnson declared the war on poverty. This led to an explosion of poverty

programs including the Economic Opportunity Act, the Office of Economic Opportunity (OEO), the Job Corps, Volunteers in Service to America (VISTA), Upward Bound, Head Start, Legal Services, the Neighborhood Youth Corps, the Community Action Program (CAP), the College Work Study Program (CWSP), and recently the new White House Office of Urban Affairs. Texas A&M economics professor Edgar K. Browning estimates that 80 targeted federal, state, and local government programs comprise the legions **in this war. US Census figures show th**at in 1964, the year this "war" began, the poverty rate was 15 percent and in 2010 it was 15.1 percent. Any fifth-grader can see that there hasn't been much progress on the poverty front, especially given the trillions of dollars spent since then. Not surprisingly, once started, most of these programs have never gone away and demand an ever-increasing amount of taxpayer dollars.

The War on Drugs

President Richard Nixon declared the war on drugs in 1971 to support the Comprehensive Drug Abuse Prevention and Control Act of 1970. With this war came the creation of the Drug Enforcement Administration (DEA), the Office of National Drug Control Policy (ONDCP) and its head bureaucrat the Drug Czar, the National Youth Anti-Drug Media Campaign, and nearly three decades later, the Treasury and General Government Appropriations Act of 1998 and the Drug Free Media Campaign Act the same year. In 1982 Vice President George H. Bush began pushing for the involvement of the US military and CIA in drug interdiction. As recently as 2009 the National Southwest Border Counternarcotics Strategy was announced by Homeland Security Chief Janet Napolitano. This was a coordination of counterterrorism and drug interdiction forces. This war has also spawned drug-enforcement divisions in most police departments across the United States. The apparatus grows larger while the problem grows worse.

Like many wars the nation fights, the war on drugs has been long term, costly, and ineffective. Articles in the Economist (April 16, 2011) and the Wall Street Journal (January 14, 2012) conclude that the US war on drugs has thrown all of Latin America into the cartel drug-production and smuggling enterprise, increasing drug production and smuggling into this country and elsewhere around the world. Despite the expanding price tag, the National Institute for Drug Abuse concluded, "The decline in illicit drug use by the Nation's adolescents since the mid to late-1990s has leveled off." The unintended consequences of the war on drugs have been far worse. Through US drug-interdiction efforts, the cost of naturally growing weeds (marijuana and opium poppies for example) has risen spectacularly, creating market wealth for the producers and smugglers that has attracted international terrorists and compromised the US war on terror.

On the home front, America today is no less ravaged by drug trafficking and drug use despite more than a trillion dollars our government has spent waging this war. The National Institute of Drug Abuse reports that among 8th-, 10th-, and 12th-graders, lifetime, past-year, and current illicit drug use remained unchanged during the last decade.

The results of the 2001 National Household Survey on Drug Abuse and Addiction revealed that, while millions of Americans habitually smoke pot, drink alcohol, snort cocaine and swallow prescription drugs, most who need treatment fail to recognize they have a drug abuse problem. The figure of those "in denial" of their drug abuse is estimated at more than 4.6 million — a significantly higher number of individuals in need of professional help than had been previously thought. (US No Drugs, 2009)

The growing cost of fighting the US war on drugs amid mounting evidence of its ineffectiveness can be seen by tracking the recent annual budget increases. Between 2008 and 2012, the president's war-on-drugs budget increased by $1.7 billion (Office of National Drug Policy, 2012). For this extraordinary increase in local, state and federal bureaucracy and the attendant king's ransom of taxpayer dollars that feed it, Americans should expect a reasonable return on their tax dollar. But yet another federal drug agency says otherwise:

In 2007, 114 million Americans — 46 percent of the US population over the age of 12 — reported having used illegal drugs at least once in their lifetime and about one-third of these individuals (36 million Americans) reported having used illegal drugs during the previous year, according to government estimates. (Substance Abuse and Mental Health Administration, 2008)

BankNotes will continue the article next month with Rule #2: Use crisis and perceived crisis to increase your power and control, and Rule #3: If there are not enough crises, manufacture them, even from nature, where none exist.

Loyd S. Pettegrew is a tenured full professor of communication at the University of South Florida, where he teaches and studies public influence and also runs his consulting firm, Decision Strategies Group, Inc., which performs research and training for corporations. Send him mail. See Loyd S. Pettegrew's article archives.

Carol A. Vance is an instructor of accounting at the University of South Florida-St. Petersburg School of Accountancy. She is a principal of Vance & Likens, LLC, an accounting firm, and of Carol A. Vance, ESQ CPA PLC, a tax-law firm specializing in high-net-worth clients. Send her mail. See Carol A. Vance's article archives.

This essay was developed from a bullet point presentation originated by Harry E. Teasley Jr.

Teasley has spent his life confronting and triumphing over bureaucracy. His business career was spent at The Coca-Cola Company as head of various lines of business. His nickname was "Thor" for his willingness to confront the evils of bureaucracy and its mindless agents. Teasley's experience with bureaucracy included federal, state, and local government, labor unions, nongovernmental organizations (NGOs), environmental protectionists, Coca-Cola itself and other corporations. Since retiring, Teasley has served as the chairman of the Reason Foundation and has successfully defeated numerous government attempts to infringe on the free market and usurp private-property rights in Tampa, Florida.

Have an interesting article or quote related to IBC? We gladly accept article submissions as long as premission to reprint is provided. Send submissions for review and possible inclusion in BankNotes to david@infinitebanking.org.

The Sanctity of Contracts

By Paul A. Cleveland

A contract is simply an agreement between two parties to do certain things or to refrain from doing certain things. They are fundamental to civilized life. In fact, apart from contracts it would be impossible for people to interact with one another in social settings or even for peaceful relationships to exist. They are the evidence or mark of successful social interaction. No one can really imagine his own life apart from being able to interact with others toward the achievement of his ends. No one can successfully live on the basis of his own efforts without the help of others. Thus, the ability to contract with others is foundational to successful living.

However, for contracts to work, each party must perform his part of the agreement. What a great world it would be if everyone, without exception, kept his word of agreement. Regrettably, that has not been the general history of man's social life. People have always shown the strong propensity to obfuscate their parts of bargains in an effort to gain something for nothing. This leads inevitably to conflict which at times spills over into bloodshed and even warfare between groups.

In the course of time various practices have developed to insure that both parties in an agreement would keep their part of the bargain. In the ancient Near East, one practice that was adopted was the slaughter and butchering of animals and arranging their parts on two sides forming a path in between. When the parties would enter an important agreement they would walk the path between the animal parts symbolizing a pledge to keep their part of the bargain or, if failing to do so, being slaughtered and butchered like the animals they were walking between.

In the opening book of the Bible, God comes to Abraham and promises to bless him and to prosper him and to make his offspring as numerous as the stars in the sky. In an amazing display of sealing the covenant, God instructs Abraham to slaughter some animals and to set up such a path of animal parts. Rather than traveling the path together, a smoking pot representing God Himself travels the path alone.

Indeed, God was confirming His own contract unilaterally. Given that God is not a man that He should lie, the certainty of this contract is without question. Moreover, it is fulfilled in the life, death and resurrection of Jesus Christ who provided the atoning sacrifice not only for Abraham, but for everyone who trusts in Him. Contracts are indeed a sacred thing. One of the great things about IBC is that it is based upon the private contract of free men and when both parties keep their end of the bargain, good things happen.

A Biblical Transfer of Wealth from Main Street to Wall Street through Mutual Funds

(Hampton, NH April 26, 2012). Barry James Dyke, best-selling author of *The Pirates of Manhattan* and the sequel *The Pirates of Manhattan II: Highway to Serfdom* adamantly maintains that a biblical transfer of wealth has taken place with Americans' savings plans in mutual funds and 401(k)s. www.thepiratesofmanhattan.com

The author states, "Wall Street, the mutual fund industry and corporate America has hijacked America's savings through 401(k) retirement plans. It uses workers' savings in 401(k)s funded with mutual funds to fuel outrageous compensation packages, fund shaky companies going public, accelerate speculation and to finance the corrupt Wall Street business model. It is an unprecedented biblical transfer of wealth from Main Street to Wall Street and corporate America. It is an unprecedented transfer of economic and investment risk onto the little guy. Main Street America has been taken to the cleaners with 401(k)s. It is a biblical transfer of wealth which will take most Americans years to recover from."

Dyke continues, "The major problem today is that there is no savings or patient capital for regular Americans. The U.S. Commerce Department found savings to be around 1% of earnings during the 2007 housing bust, up to 8% in 2008, down to 5.8% in September 2010 and slid to 3.6% in September 2011. There is a major difference between saving and investing, but to Wall Street and the mutual fund industry the only way to save according to them is to put it into volatile highly-complex no-guarantee stock mutual funds."

"Putting money into a 401(k) is NOT SAVING. It is speculating. Here's the proof. According to the Investment Company Institute 2011 Fact Book, Americans' have 77.4% exposure to volatile equities in their retirement accounts. That is horrific. The Federal Reserve is at the heart of this savings debacle. By dropping interest rates next to zero, The Fed has forced Americans into volatile markets in search of yield. The only winners in this tragedy are the mutual fund giants, Wall Street and corporate executives with pay packages which would make King Solomon blush. In many respects this wealth transfer is worse than the Great Depression when people were more self-reliant and had a stronger family unit."

The ultimate hypocrisy, the author concludes is "elites in the empire, The Fed, the federal government, bankers, government workers and highly paid executives rarely speculate with their own fortunes the way Americans are forced to speculate in their 401(k) s." The author backs his claims showing these sectors used guaranteed products backed up by company balance sheets, the U.S. Treasury and guaranteed life insurance products to fund their retirement plans. *The Pirates of Manhattan II: Highway to Serfdom* is available exclusively at www.thepiratesofmanhattan.com, and the original *The Pirates of Manhattan* is also available on www.amazon.com. For contact with the author you may reach Barry James Dyke at castleassetmgmt@comcast.net or via telephone 603-929-7891.

Nelson's Newly Added Book Recommendations
http://infinitebanking.org/reading-list/

The Twelve-Year Sentence edited by William R. Rickenbacker

Takings: Private Property and the Power of Eminent Domain by Richard A. Epstein

As Good As (Better Than) Gold!

by Kevin Lasko

My dad passed away on July 8, 2011 from a massive heart attack at the age of 89. He was a great man and even better father. He was also an avid coin collector, nothing high end, but he really enjoyed looking at his collection and showing my children. He also had a few 1 ounce gold bullion coins which he gave to me after his passing. He always liked having "a little security money" if anything ever hit the fan!

A recent policy premium notice came in the mail for one of my children in February with a due date of March 1, 2012. The base premium for this policy is $1,727.12 with an origination year of 2000. This is a "plain vanilla" whole life policy with a large mutual company. It has no paid-up additions rider on it so I am "stuck" with only putting this amount ($1,727.12) in the policy. With the run-up in gold over the past few years, I wondered if "cashing in" a 1 ounce gold coin would be prudent to pay for the premium or do I "let it ride," as gold has done nothing but go up in the last 8-10 years? With the economic problems in this country as well as world wide it is a good safety net. I began my research!

On February 28, 2012, spot gold closed at $1,788. This is fairly close to my policy premium with a little extra to take my wife out to dinner. The same day I called up my life insurance company and asked them the following question: "If I make my premium payment of $1,727.12 how much will my child's policy cash value increase?" After a few minutes, I was told that the current cash value in the policy was $8,776, and with the current payment plus the additional dividends and interest due, the cash value would increase to $11,168. After a little 3rd grade arithmetic, I calculated the difference to be a gain in the policy cash value of $2,392 or $665 above my premium payment.

No decision had to be made. Do I think gold is going to gain an additional $665 in the next year or should I guarantee the $665 gain in my policy now?

Hey dad, your grandchild says, "Thank you!"

Nelson's Live Seminars & Events for May & June 2012
http://infinitebanking.org/seminars/

Our comprehensive *Becoming Your Own Banker®* seminar is organized into a five-part, ten-hour consumer-oriented study of *The Infinite Banking Concept®* and uses our book *Becoming Your Own Banker®* as the guide. Nelson covers the concept's fundamentals in a two-hour introductory block the first day. He then covers the "how to" over an eight-hour block the final day. These seminars are sponsored by IBC Think Tank Members, therefore attendance is dictated by the seminar sponsor. If you are interested in attending one of these events, please call or email the contact person listed with the seminar.

Nelson Live in Hillsboro, TX, Thursday-Friday, 4-5 May, contact Jackson Insurance and Financial Services, (800) 583-5865, info@bcbstexas.com.

Nelson Live in Las Vegas, NV, Saturday, 12 May, contact Ann Putnam, 702-430-4400, ann@alphaomegawest.com

Nelson Live in Wilkes-Barre, PA, Tuesday-Wednesday, 15-16 May, contact Tim Yurek, 570-826-1801, tyurek@jacobicapital.com

Nelson Live in Boston, Friday-Saturday, 18-19 May, contact Jackson Insurance and Financial Services, (800) 583-5865, info@bcbstexas.com

Nelson Presenting at Your Wealth Workshop *in Portland, OR,* Wednesday-Thursday, 23-24 May contact Michele McFie, (503)-363-LIFE (5433), Toll Free: (866)-502-2777, Michele@Life-Benefits.com

Nelson Live in Westlake Village, CA, Saturday, 9 June, contact Ken Phillips, 805 915-7644, ken@marketingpromotionsnetwork.com

Nelson Live in Birmingham, AL, Saturday, 23 June, contact Stacy Brasher, 205-871-9993 x 248, stacybrasher@nowlinandassociates.com

Nelson Live in Logan, UT, Friday-Saturday, 29-30 June, contact Dan Rust, 435-753-5249, dan@yourfamilybank.com

Number Twenty-four in a monthly series of Nelson's lessons, right out of Becoming Your Own Banker® We will continue until we have gone through the entire book.

Lesson 24: Creating The Entity

Content: Page 36-39, *Becoming Your Own Banker – The Infinite Banking Concept*® Fifth Edition, Sixth Printing.

Before we leave the subject of creating the entity a question will invariably come up, "Can the premiums paid to create this 'banking system through life insurance' be a tax-deductible item?" Absolutely not!! You would not want it to be, if you think the matter through. If it were you would have the IRS looking over your shoulder and telling you what you can and can't do – as well as changing its mind at every turn of events. You want this entity to be yours and you want absolute control.

Remembering that we all operate from a paradigm – there is abundant evidence of a mental paralysis that controls the predominant thought pattern of most Americans today. Everything that involves financial matters seems to invoke the question of tax deductibility. We need to go back to the origin of the IRS to make sense of it all.

Income tax, as we know it today, started in 1913. Before that time there were surpluses in the national budget. And when the average citizen discovered that he could now vote himself a benefit – and send the bill for it to all the other citizens – the mess that we have today is the natural result.

I'm quite sure that no one has ever read the IRS Code – it is simply too voluminous. And if one did, that person would be in a complete stupor afterward. No one understands the monster. Give your tax information to ten IRS employees and ask them to compute your tax and I feel sure that you will get eleven different answers!

But, most everyone in the financial services business is familiar with a publication called Tax Facts. It is a compilation of questions and answers as to how the IRS Code treats certain situations. Pick up a copy of it and try this exercise: At random, pick out ten questions and read the answers to them. You can rest assured that you will come away with the conclusion that the IRS thinks they own everything, but under certain circumstances they will grant you an exception to their rule. Their game plan is to make a slave out of you, and if you get hooked on their exceptions, you will become one. Your ability to think will have disappeared and you will then believe that your blessings in life come from the IRS of the US Government.

Most of the tax-deductible items that citizens are "hooked" on involve retirement plans or something of that sort. Up until World War II pension plans and retirement plans were pretty well non-existent. The same can be said of health insurance plans. During the war wages were frozen and the "progressive" income-tax rates peaked out, as best I can remember, at 90%.

So this raises a question: "How can you give an employee a "raise in pay" without giving him "a raise in pay?" Answer: Give him a "benefit."

This seems to be how the whole mess got started. Corporations gave their employees retirement plans and health insurance plans and Unions started using these as bargaining points. This only applied to employees of corporations.

Sometime later, sole proprietors and partners agitated for "their share of the loot." Their rationale ran something like this: "You blessed the corporate employees, but what about us? Bless us, too!" And so, they created HR-10 Plans (Keogh Plans) and allowed them to contribute $2,500 per year into them. The partners and sole proprietors agitated further and the contribution was raised to $7,500.

Still later, the every-day person made an observation: "You blessed the corporate folks, and sole proprietors and partners – what about us? Bless us, too!" And so they created IRAs! Now, everybody was included in the deal. One of the points made to Congress for doing so was that the capital base in America was eroding – people were not saving enough. If we give

them a tax-deduction this will give them an incentive to save more. Can you predict what happened to the savings rate? Right!! It went down because "Joe, six-pack" reasoned, "Now, I don't have to save so much because of the tax deduction and I can take the difference and make a down payment on a boat!"

When government creates a problem (read: onerous taxation) and then turns around and grants you an exception to the problem they created

(read: IRAs, 401-Ks, et al) aren't you just a little bit suspicious that you are being manipulated.?

Do yourself a favor – get those folks out of your life. If you play their game they will make a slave of you and they will steal your money.

Nelson's Favorite Quotes

Five percent of the people think. Ten percent think that they think; and the other eighty-five percent would rather die than think. – Thomas Alva Edison

Many people believe they are thinking when, actually, they are only rearranging their prejudices. – Leonard E. Read

Are We Oppressed by Technology?

By Jeffrey Tucker

Do we really need an iPad 3 after it seems as if iPad 2 was released only a few months ago? Was it absolutely necessary that Google give us Google+? Do phones really have to be "smart" when the old cell phones were just fine? For that matter, is it really necessary that everyone on the planet be instantly reachable by wireless videophone?

The answer to each question is no. No innovation is absolutely necessary. In fact, the phone, flight, the internal combustion engine, electricity, the railroad — none of this is absolutely necessary. We could freely choose to live in a state of nature in which most children die in childbirth, those who do not live only a few decades and "medicine" amounts to sawing off limbs if you are lucky enough to have a tool that can accomplish the deed.

It's true that those people who bemoan the pace of technological development are not really longing for the state of nature. They are just sick of being hounded, badgered, hectored and pushed — as they see it — constantly to learn new things, acquire new gizmos, keep up-to-date and buy the latest thing.

A survey from Underwriters Laboratories last year revealed that half of consumers "feel high-tech manufacturers bring new products to market faster than people need them." There are many concerns such as privacy, safety, finances and the like, but mostly, I suspect that what's behind the report is a more inchoate kind of unease.

Learning new things can be uncomfortable. People sense that they were getting along just fine with the technology of the last few years, so why should they upgrade? They sense that always going for the new thing implicitly casts aspersions on our current or past lifestyles.

I get this all the time when I talk to people about new stuff. Their first response is often: "No thanks. I've had it with all this techno wizardry and digital age mania. Whatever happened to a world in which people had authentic human contact, admired the beauty of God's creations and developed genuine relationships, instead of virtual ones?"

We've all heard some version of this. So let's be clear: There is nothing morally wrong with not adopting the latest thing. No one forces anyone to buy a smartphone, a fast computer, a fancier e-reader or whatever. There is no gun at anyone's head. Technological upgrades are an extension of human volition — we can embrace them or not.

And temperaments are different. Some people love the latest thing, while others resist it. There are early adopters, there are late adopters and there are refuseniks.

I talked to a person the other day whose aging sister absolutely refuses to get a computer, an email address or a cellphone. Yes, such people do exist. When

siblings want to contact her, they call or write a letter with a stamp. There is no sharing of photos, no video Skype, no keeping up with daily events. Everyone in the family is very close in the way that only digital technology allows, but this one person is the outlier, cut off from what everyone else experiences on a daily basis.

I asked if she feels cut off. The answer: Yes, and she is very unhappy about it. She complains that people don't travel long distances to see her enough. They don't call enough. She is losing track of what is happening with the grandkids. She has a constant sense that she is just out of it, and this depresses her.

Exactly. She is not actually happy with her choice. It's just that making this choice seems easier than learning new things and buying new stuff. So she rationalizes her decisions as a principled stand against the digitization of the world.

My experience is that these people have no idea the extent to which they inconvenience others. In fact, I would say that it comes close to being rude. It is not immoral, but it sure is annoying. Instead of dropping an email or posting on a Facebook wall or clicking a button on Skype, family members have to write out up their communications and stick them in an envelope and find a stamp and walk to a mailbox and wait a week or two or three to get an answer back.

It's all kind of crazy. People do it for a while, but then eventually find themselves annoyed and give up. Then the person on the other end gets angry and upset and feels ignored or cut off. This is their choice, too! It is a direct consequence of refusing to join the modern world.

Then there are the late adopters who pride themselves in not glomming on to the new gadget. They imagine themselves to be above the fray, more wise and prudent than their fellows. There is a reason they are called "late." They eventually come around. Those who resist new technology are cutting themselves off from the stream of life itself.

True confession: I was once among the late adopters. I freely put down the techno enthusiasts. I wrote a highly negative review to Virginia Postrel's provocative book The Future and Its Enemies, which turns out to have seen what I did not see. After the digital revolution advanced more and more, I began to notice something. By being a late adopter, I gained no advantage whatsoever. All it meant was that I paid a high price in the form of foregone opportunities. If something is highly useful tomorrow, chances are that it is highly useful today, too. It took me a long time to learn this lesson.

Finally, I did, and my fears, excuses, rationalizations and strange anti-tech snobbery melted away.

To really engage life to its fullest today means being willing to embrace the new without fear. It means realizing that we have more mental and emotional resources to take on new challenges. If we can marshal those and face these challenges with courage and conviction, we nearly always find that our lives become more fulfilling and happy.

The biggest canard out there is that the digital age has reduced human contact. It has vastly expanded it. We can keep up with anyone anywhere. We make new friends in a fraction of the time. That sense of isolation that so many feel is evaporating by the day. Just think of it: We can move to a new region or country and find ourselves surrounded by communities of interest in a tiny fraction of the time it used to take us.

As a result, digital media have made the world more social, more engaging, more connected with anything and everything than ever before. This isn't a scary science fiction world in which the machines are running us; instead, the machines are serving us and permitting us to live better lives than were never before possible. Through technology, millions and billions have been liberated from a static state of existence and been granted a bright outlook and hope.

In the 19th century, people loved technology. The World's Fair was the glitziest and most wonderful thing that happened in the course of the decade. Everyone wanted to celebrate the entrepreneurs who made it happen. Everyone understood that technology that succeeds does so because we as people have chosen it and that we chose it for a reason: It fits in

with our search for a better life.

Perhaps that sense of optimism changed with the government's push for the nuclear bomb. In World War II, we saw technology used for mass murder and ghastly accomplishment of human evil as never before seen in history. Then we went through almost 50 years in which the world was frozen in fear of the uses of technology. It wasn't called the Cold War for nothing. When it finally ended, the world opened up and we could turn our energies again toward technology that serves, rather than kills, people.

The real "peace dividend" you hold in your hand. It's your smartphone. It's your e-reader. It's the movies you stream, the music you have discovered, the books you can read, the new friends you have, the amazing explosion of global prosperity that has visited us over the last 10 years. This is technology in the service of the welfare of humanity.

In conclusion, no, we are not oppressed by technology. We can embrace it or not. When we do, we find that it brightens both the big picture and our own individual lives. It is not to bemoan, ever. The state of nature is nothing we should ever be tempted to long for. We are all very fortunate to be alive in our times. My suggestion: Try becoming an early adopter and see how your life improves.

Sincerely,

Jeffrey Tucker
Executive Editor of Laissez-Faire Books, for T*he Daily Reckoning*

The *2012 IBC Think Tank Symposium*

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