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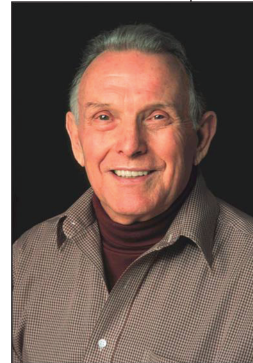

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The Infinite Banking Institute and the new IBC Practitioners' Program

by R. Nelson Nash

The team of Carlos Lara, Dr. Robert Murphy, David Stearns and I are well on the way to completing an innovative new training program for the financial services industry professional. We will unveil this program at this year's annual Think Tank Symposium in February.

You may be asking, why did we develop the program: My answer - ***Simply because it had to be done!*** The interest in IBC has been exploding over the years, making a course like this necessary. But first, let me give you the background.

BYOB BACKGROUND

The *Infinite Banking Concept* is a philosophy I developed by which you could use life insurance policies as a way to "become your own banker." This meant that you are in charge of the banking function, financing life's major purchases with loans from your own pool of assets, rather than outside institutions.

When I first developed the concept I was attempting to spread the word through a 2 ½ hour seminar to small groups in our city and, on occasion in other cities in the South. But, the message was "going over the heads" of participants. Over a period of time I realized that I was trying to present too much information in too short of a time frame – after all, this concept is a major paradigm shift for most people, and we all live by a paradigm created by what we have learned in the past.

I re-wrote the course to cover 10 hours of lecturing, and the participants asked me to write a book on the material. That was the beginning of this BYOB.

It was first available, in print, October 1, 2000. It was written to educate the general public about the power of dividend-paying whole life insurance, a power that was being totally overlooked even by life insurance home-office people and their agents because of their mind-sets. Their concentration was centered on the client's need of protection in the event of premature death and what is the best form of life insurance to perform that function. But they completely overlooked the ability of whole life to satisfy their clients' need for financing while they were still alive.

Yes, before my book came out, the life companies and their agents clearly demonstrated that one could borrow money from the company and put the cash value up as collateral. But in my 47 years of being involved in the life insurance business, I don't recall anyone in the business that ever demonstrated that "Your need for finance – during your lifetime – is greater than your need for death protection." That fact is clearly demonstrated in *BECOMING YOUR OWN BANKER* and in my follow-up book *BUILDING YOUR WAREHOUSE OF WEALTH – A Grassroots Method of Avoiding Fractional Reserve Banking – Think About It!* This is my contribution to the financial world.

WHO IS THE BOOK FOR?

I had no idea of how BYOB would be accepted, but it was extremely attractive to professionals within the

financial world. Remember, I did not write it for them – I wrote it for the general public. Even so, financial professionals were responsible for the majority of the sales of the book because they would distribute them to potential clients – in order to do some of their work for them.

Unfortunately, many financial people believed that just because they had read my books, or attended one of my seminars, that they "knew all about IBC" and were qualified to teach others about the subject. But, this isn't the case – my book and seminar were designed for the general public. Just because you read a copy of *Harry Potter*, doesn't mean you know how to write novels!

IBC PRACTITIONERS' PROGRAM

Now we come to the purpose of the present course. Unlike my previous books and seminar, this program is designed especially for the financial professional who wants to become an IBC Practitioner.

Among other goals, this course will rectify those practices that have proliferated in the last few years in which life agents treat IBC as "just another way to sell life insurance." To the contrary, the concept is a total overhaul of the way one can operate in his/her financial world.

More and more people are discovering IBC and its potential to transform their own financial situations, as well as the country. As the demand for "banking policies" grows, so too will the demand for financial professionals who can properly educate their clients on IBC. By publicly listing those individuals who graduate from this educational program, the Infinite Banking Institute will let the world know who the true IBC Practitioners are. This will serve the public of course, but it will also reward those who have done the responsible thing by undergoing the necessary training to fully understand IBC as I have developed it. As the public learns of the program, they will naturally gravitate toward those financial professionals who have graduated from the program and are IBC Practitioners.

Becoming Your Own Banker is exploding nationally, so there is a vital need for agents who thoroughly understand the concept. These agents must practice it in their own lives and teach it correctly to their clients and prospects. This concept, properly understood and practiced can change the financial world.

The IBC Practitioners' Program was developed for the financial services professional. The course material is designed to sequentially take the student through a rigorous study of the national *and typical* household financial PROBLEM, the SOLUTION to the problem and the IMPLEMENTATION of that solution. The course will highlight the clear benefits of using what we call "privatized banking" through dividend-paying whole life insurance.

The course clearly provides a practical foundation through rigorous analysis of the concept. It establishes a clear relationship between foundational Austrian economic principles and BYOB, and standardizes terminology.

After completion of the course, you will feel confident in your ability to answer any question related to the Infinite Banking Concept, whether it be economics, banking, or life insurance related.

Your deeper understanding of the actuarial process will allow you to design "banking policies" for any client circumstance. In this course, we won't merely teach you the theory of IBC, but also how to implement it with real-world clients. Over the years, even seasoned insurance agents who have read my book and attended my seminar still had practical questions about policy design – questions that fell outside the scope of my earlier efforts, because they were aimed at the general public. In this Practitioners' Program, my colleagues and I will systematically address these practical issues.

THE INFINITE BANKING INSTITUTE (IBI)

I congratulate you for undertaking this bold step to your knowledge of IBC to the next level. This will give you the ability and the confidence to better guide your own clients. After you finish viewing the online lectures, you will take an exam. Those who pass will become designated IBC Practitioners, a fact that – if

you desire – we will list on our INFINITE BANKING INSTITUTE website. The IBI will be the new face of the *Becoming Your Own Banker Web Site* and will provide a needed emphasis on teaching and supporting the financial services professional, whether they be enrolled or already graduated from the course.

We appreciate your trust in us to provide sound education in IBC, and we likewise want to direct the general public to those financial professionals who have demonstrated their mastery of the subject. By working together, we can spread knowledge of IBC in a method that will ensure the integrity of my original vision.

Banks vs. Insurers During the Depression

By: Robert P. Murphy

When explaining the relative safety and stability of the insurance sector, proponents of Nelson Nash's "Infinite Banking Concept" (IBC) will often point to the 1930s. They make claims that although thousands of banks failed, no insurance policyholders missed a payment.

Is this true? In the present article I'll rely on a *hostile* article, with at least one of the authors affiliated with Citicorp, to see just what happened.[1] As we'll see, even though the authors of the piece, Huertas and Silverman (H&S), try to paint a different picture, their own statistics and storyline show that the insurance sector was much more reliable during the Great Depression than the commercial banking sector.

THE ROARING TWENTIES

H&S provide some interesting statistics to show the strong growth of both banking and insurance during the 1920s, which highlight the prominence that the insurance sector used to enjoy. According to H&S:

"The assets of all commercial banks rose from $43.7 billion in June 1921 to $62.4 billion in June 1929, an annual compound rate of growth of 4.5 percent. The assets of life insurance companies grew more than twice as rapidly, from $7.9 billion in December 1921 to $17.5 billion in December 1929, an annual compound rate of growth of 10.4 percent. Total life insurance in force jumped from $43.9 billion at the end of 1921 to $102.1 billion at the end of 1929, an annual rate of increase of 11.1 percent."

Thus, by 1929, total assets held by life insurers were about 28 percent as much as the total assets held by the commercial banks.

H&S go on to report that the number of actual life insurance policies in force rose from 70 million in 1921 to 123 million in 1929, which was roughly the size of the total U.S. population at the time.

IT'S NOT A WONDERFUL LIFE: RUNS ON THE BANKS

By their very nature, fractional-reserve banks are vulnerable to "runs," in which depositors seek to withdraw their funds en masse. This is because the commercial banks take in, say, $1000 in cash as a deposit, but only keep, say, $100 in the vault as a reserve. The other $900 can be invested or lent out to another bank customer.

Fractional reserve banking allows the banks to pay interest on demand-deposit (i.e. checking) accounts, but the accounts are thus vulnerable to a run. If the original depositor—who thinks he has $1000 in his account—wants to take out his money, the bank should be able to accommodate him under normal circumstances. Even though the bank has lent out $900 of his initial deposit, there are plenty of other customers' deposits sitting in the vault, and so the bank can dip into those funds to pay the man his full $1000.

Of course, the problem with a bank run occurs when *many* customers show up at the same time. In our example, if the bank has only been keeping 10 percent of each deposit in the vault as a reserve, then if customers collectively want to withdraw more than 10 percent of the total amount on deposit, the bank will fail.

As Carlos and I explain in our book, *How Privatized Banking Really Works*, many Austrian economists are opposed to fractional reserving banking per se. They view it as fraudulent and economically disruptive. Because of the evolution of financial practices and legal rulings, it is now the case that commercial banks can literally create money out of thin air when granting new loans.

The Austrians who follow in the tradition of Murray Rothbard stress that banking doesn't have to be like this. Commercial banks could distinguish between the functions of (a) warehouse and (b) credit intermediary, by offering different types of accounts. A true 100 percent reserve checking account would require a small fee from the customer, but would otherwise be a perfectly secure way to enjoy the conveniences of safekeeping large amounts of money, and being able to spend it via check or debit card. On the other hand, if the customer wanted to earn interest, he'd have to lend the bank money by putting it into a genuine savings account (or by buying CDs), where he couldn't access the money immediately.

In the early years of the Great Depression, there were three great waves of commercial bank failures. I should stress that (as usual) government intervention played a large role in this outcome, beyond the existence of fractional reserve banking. In particular, "unit banking laws" greatly restricted the ability of banks to engage in branch-banking in different U.S. states. Therefore, if one region (e.g. a community highly dependent on loans to farmers) suffered major investment losses, the banks in that region would go down, because they were not tied to a larger, national institution. To get a sense of the importance of this fact, note that not a single bank failed in Canada during the Great Depression, arguably because branch banking wasn't restricted in our neighbor to the north. (For more details, see my book on the Great Depression.[2])

When commercial banks began failing, customers of other banks became nervous and began withdrawing their funds too. However, even here I want to mention that it wasn't simply a free-for-all; research suggests that the banks that failed typically really *were* in financial trouble. In other words, it wasn't simply an irrational public rushing to get their cash, but rather that people would catch wind of the fact that *their particular bank* was in trouble and then they'd run—thus sealing the bank's doom.

One of the very first acts of the newly installed Roosevelt Administration was to intervene in this process. (Note that at that time, presidents were inaugurated on March 4.) Here's how H&S describe it:

> *"This was the Banking Holiday of 1933. As one of its first acts, the new Roosevelt Administration on 6 March 1933 closed every bank in the country. Congress then hastily passed the Emergency Banking Act on 9 March, validating the President's action, extending the holiday, and empowering the President to license banks to reopen when they were found to be in satisfactory condition. Such banks were allowed to reopen on 13 March in the reserve cities and on 15 March in other places. However, 2,100 banks never reopened at all, bringing the total number of banks that failed during the Depression to 9,100, or 38 percent of the number of banks in existence in June 1930 before the collapse began."*

Clearly this was an abysmal performance for the U.S. commercial banking sector, though to repeat it is unclear what would have happened had there been no restrictions on nationwide banks opening local branches in various states. And naturally, if the banking sector had operated on Rothbardian principles—i.e. where checking accounts were backed up 100 percent—then there would have been no question of bank failures or availability of customers' money. There's never a "run" on a storage facility where college kids store their furniture, for example, because that property is genuinely being warehoused.

LIFE INSURANCE DURING THE DEPRESSION

We have seen what happened to the banks during the early years of the Great Depression. What about the life insurance companies?

The number of life insurance companies did decline in these years, from 438 at the end of 1929 down to

375 at the end of 1933. Note that this decline of 14 percent was far lower than the 38 percent drop in the number of commercial banks during a comparable, but not identical, period.

Yet even this comparison may be too generous to the commercial banking sector, and too harsh to the insurance sector. Just because a particular life insurance company in, say, 1931 was taken over by a healthier competitor, doesn't by itself tell us what happened to the customers of the failing insurer. I have seen (admittedly biased) insurance agents claim that not a single customer lost his or her assets as represented by whole life insurance contracts during the Great Depression, and thus far I have found no evidence to dispute these claims. (If any *LMR* readers have official sources either backing up the claim or refuting it, please let me know.)

To get a sense of the relative health of the insurance sector, we can quote from H&S:

> *On the surface, insurance companies were far from failure during the Depression. Official statements of the companies showed asset values comfortably in excess of policyholder reserves during the entire period. According to these documents, life insurance companies were in robust condition, even at the nadir of the Depression. At the end of 1932 the total assets of all U.S. life insurance companies were reported to be $20.7 billion, some $1.4 billion in excess of total liabilities, and $2.9 billion in excess of policyholder reserves [the present discounted value of expected future beneficiary payments—RPM]. Total capital of the insurance companies was reported to be $1.4 billion or 7 percent of total life insurance assets.*

However, H&S go on to warn the reader that these official statements were potentially misleading, because the insurance companies weren't valuing their portfolio of assets at prevailing market prices. For example, investment-grade bonds not in default were valued on their books at cost (adjusting for accrued amortization). In today's parlance, the seemingly rosy report quoted above was not done with "mark-to-market" accounting.

Why would this matter? So long as the insurance companies were fine on a cashflow basis (and they generally were), what would it matter if the official market value of their assets temporarily dropped, due to the extraordinary financial crisis?

The potential problem was that a cashflow crunch could force the insurers to begin selling off their financial assets, in order to meet customer obligations. H&S provide some of the details:

> *"Insurance companies… stood in a perilous condition at the start of 1933. During the Depression policyholders markedly accelerated the rate at which they drew on the savings and credit features of their life insurance contracts. Cash surrender payments tripled, rising from $448 million in 1929 to $1.3 billion in 1932. As a result, insurance companies' net cash flow dropped dramatically, from $1.5 billion in 1929 to $655 million in 1932. This limited the insurance companies' ability to restructure their portfolios.*
>
> *The dramatic increase in policy loans further restricted insurance companies' portfolio choice. Total policy loans at all companies rose from $2.4 billion at the end of 1929 to $3.8 billion at the end of 1932. At the latter date they accounted for 18.3 percent of insurance companies' reported assets."*

As Carlos and I explain more fully in our book, the issuers of whole life policies must invest the premium payments into various assets, to ensure their ability to pay the contractual amount upon death or maturity of the policies. The policyholder himself gets "first dibs" on these investable funds, in the form of a policy loan.

From the insurer's viewpoint, policy loans are incredibly safe, because the underlying cash value on the policy serves as collateral. However, policy loans do have a downside, in that they are relatively illiquid (an insurer would have difficulty selling a given policy loan to another institution) and their payback schedule is uncertain. What H&S are emphasizing is that the pronounced increase in policy surrenders

and policy loan requests in the early 1930s boxed the insurers into a corner, where they couldn't invest their incoming premium payments the way they may have liked, given the rapidly changing economic landscape.

We come now to the punchline. H&S report that in addition to the well-known *banking* holiday, there was also an *insurance holiday*:

> *"The advent of banking holidays… further aggravated the situation of the insurance companies. With the banks closed or allowing withdrawals on only a restricted basis, people turned to their life insurance for cash. Like the banks, the insurance companies were faced with the possibility of a run that would force them into failure.*
>
> *Rather than permit this to happen, the states took emergency measures. On 6 March 1933, the New York state legislature passed an act suspending the state's insurance law and empowering Superintendent of Insurance, George S. van Schaiek "to make, rescind, alter and amend rules and regulations imposing any condition upon the conduct of any insurers which may be necessary or desirable to maintain sound methods of insurance and to safeguard the interests of policyholders, beneficiaries and the public generally," during the emergency… The law took effect the following day and applied to all companies licensed to do business in New York state, not just those headquartered in the state.*
>
> *Thus, the New York law covered most of the country's insurance companies. In any case, it was soon copied by twenty-eight other states. The insurance holiday was under way.*
>
> *On 9 March 1933, Superintendent van Sehaiek issued the first regulations following a meeting with representatives of the leading insurance companies. Effective immediately, insurance companies were prohibited from paying cash surrender values or granting policy loans in cash, although each policyholder could obtain up to $100 in the case of dire and demonstrated need... Moreover, policyholders could not withdraw any sums that they had left on deposit with the company.* ***However, insurance companies were strictly enjoined to continue payment of death claims, annuities, and matured endowments…***
>
> *The insurance holiday remained in effect long after banks had reopened their doors, although its terms were progressively liberalized. On 3 April 1933, the New York state regulations were amended to permit insurance companies to grant policy loans or pay cash surrender values for specified purposes such as the payment of rent or taxes where the insurance company "was satisfied that the applicant has no other reasonable means of meeting the necessity." Policyholders were also permitted to withdraw all deposits made after 9 March 1933 and part of the deposits made prior to that date. On 7 June 1933, the New York state regulations were further amended to permit policyholders to obtain policy loans or cash surrender values upon stating in writing how they intended to use the proceeds. Thus, the insurance company no longer had to verify the policyholder's need for the money… On 7 September 1933, van Sehaick declared the emergency over, and on 9 September 1933 all restrictions on policy loans and the payment of cash surrender values were removed six months after they were first imposed. The insurance law was back in force."* [Bold added.]

Although the insurance "holiday" is disconcerting, and shows that the contrast between banks and insurers during the Great Depression was not as stark as some may have thought, even so there is a very important difference that H&S don't highlight in their own discussion.

It is crystal clear that the commercial banks were failing—by the thousands—and that customers were losing money, before the federal government stepped in to rescue the banks from their own precarious position in 1933. There was a total suspension of bank activity, meaning customers could not get their money at all. Furthermore—what H&S don't bring up at all—even after the holiday was ended, the banks were still in a terrible position, as I explain in my book on

the Great Depression (a story more elaborated in the sources I cite there).

In contrast, H&S haven't really shown us that customers were hurt by the insurance companies. Their own figures and discussion show that going into 1933, the industry as a whole was still able to make its contractual payments (including policy loans), but that its ability to do so was being pushed to the edge. Even when the state governments intervened to provide relief, the insurers' core business—providing death benefit payments to beneficiaries—was *never* interrupted. (Annuities and maturing contracts were also paid out in full, with no interruption at all.) Furthermore, policyholders were still able to get $100 in policy loans, so the suspension even here was not total.

CONCLUSION

Though the state-government- imposed insurance holiday no doubt was a burden to many people who wanted to obtain policy loans or to surrender their policies outright during the key months in 1933, it would be grossly inaccurate to conclude (as H&S seem to want to) that insurance customers suffered more than banking customers. All things considered, the conservative insurance sector weathered the Great Depression far better than the commercial banking sector. In fact, as happened after our most recent financial crash, many insurers saw a big increase in business in the immediate aftermath of the 1929 crash.

In future articles I will fill in the details of the fate of insurance policyholders during the Great Depression. My point in the present issue was to go through a hostile take on the matter—put out by authors sympathetic to the commercial banking sector—and show that their own analysis shows the relative superiority of insurance during our nation's most terrible financial episode.

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2. Robert P. Murphy (2009), The Politically Incorrect Guide to the Great Depression and the New Deal, Regnery.

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.

Are These the End Times?

by Jeffrey Tucker

Why all the long faces?

The election results seem to have sent many people into fits of depression, hysteria, and rage. Commentators on the right are proclaiming that the last days are here. The hordes of welfare dependents are taking over. The wealthy will be looted. Business will be destroyed. Demographics and demagoguery have at last come together to create the perfect storm for America. Socialism has at last arrived.

Well, let's all just settle down a bit.

What was the alternative to Obama? The truth is that Romney inspired a very low level of passion among voters. No one knew for sure what he stood for. Not even his tax message was clear. He seemed to call for lower rates, but also promised to "broaden the base," which sounds like raising taxes through the back door. His foreign policy program of protectionism against China and war with Iran actually made Obama's stealthy warmongering seem less dangerous by comparison. All the rest was a muddle.

So in retrospect, there should be no great surprise at the outcome. The betting market called Intrade.com featured election markets that had been correct for the entire political season...

There is no more reason to be morose and maudlin about the next four years than the last four years. The last four years featured some of the worst government policy since the 1930s, most of it coming from the Federal Reserve and the Treasury Department. These policies have broken the banking system, entrenched

unemployment, and stagnated middle-class incomes. That would have stayed the same regardless of who was elected.

Yet despite these policies, the market forged ahead. These last four years have seen some of the biggest advances in technology in history, including the app economy, the radical democratization of all media, and 3-D printing.

The world is connected by market networks as never before. Food is more prevalent. Housing is cheaper. The much-feared hyperinflation never arrived. Having long experience with dealing with stupid government policies, entrepreneurs and capitalists still somehow managed to keep the engines of progress rolling forward. The markets have shown themselves to be resilient beyond what most people imagined.

People in democracies tend to exaggerate the influence and effect of particular presidents. They have some power to steer policy, but nowhere near what people imagine. Most of their talk about their "visions" for bringing a new future is puffery and nonsense. The bureaucracies that make and implement the rules by which we are forced to live pay very little attention to the comings and goings of the political class. Most of what they do was not discussed in the election at all. And presidents have very little practical, day-to-day influence over their behavior.

The state that is the menace to society is not somehow recreated every four years. It is 100 years old and lives off its own momentum. It is intrusive, debilitating, invasive, and evil, but it is not sent into upheaval upon elections. Its grip grows tighter, but not mainly because of electoral politics. It runs off its own energy and tends to be impervious to political attempts to shift its direction.

That said, sometimes U.S. presidents end up making some degree of difference. But it is by no means a foregone conclusion that a second Obama term is going to be worse than a Romney term might have been. Again, Romney made some very scary noises about shutting down trade with China, raising taxes through deduction repeals, and starting wars with Iran and who knows what other countries. Based on his rhetoric alone, it's hard to say that Obama is going to be worse.

More significantly, the biggest, for better and worse, political moves of the last half-century were made by presidents who were expected to do something completely different. No one expected, for example, that Nixon would be the man who would go off the gold standard, put in wage and price controls, and establish the EPA.

At the same time, the best thing he did in office, namely make peace with China and open trade, was the last thing anyone expected from this old-line anti-communist. And that is precisely why he was able to get away with it. It is through confounding expectations that political change happens.

We saw this with Jimmy Carter too. Here was a man everyone thought was dedicated to government control of everything. Yet he worked with Ted Kennedy in the Senate to accomplish the great deregulations of the late 1970s that changed life completely and continue to benefit everyone. He deregulated trucking, airlines, and energy. Those were surprising and amazing moves -- accomplished entirely by what we now call the political left. These three moves astonished the world.

Moving forward, Reagan ran as the most libertarian-sounding president in a century, but he proceeded to balloon the budget as never before and even raise the payroll tax in a way that broke all records. On the other hand, the best thing he did in his two terms shocked the world. He sat down with the Soviet leader and agreed to the hope of eliminating all nuclear weapons. It didn't happen, but the friendship between Reagan and Gorbachev led to an astonishing thaw that encouraged dissidents all over the communist bloc. The world that the Cold War kept alive melted with the advent of the most peculiar and implausible friendship in the history of politics.

No one thought Clinton would reform welfare, but he did it. And no one thought he would work to repeal one of the most crippling legacies of the 1970s: the 55 mph speed limit as set by the federal government. Clinton did this with very little attention given to the

event. But it was a huge boon to the private sector.

The same was true of George W. Bush. He ran as a peace candidate and gave us horrible war.

The message here is that you rarely get what you expect from politicians. Sometimes -- very rarely, but sometimes -- they do the right thing despite every expectation to the contrary. So yes, Obama might be a socialist, but he is also a politician, and surprises can happen. And regardless of what happens, protecting your rights and liberties is ultimately up to you.

There are huge looming issues in the second term of Obama. The Keynesian path has not fixed the economy, exactly as Hayek predicted in *A Tiger by the Tail*. The spending boom has not stimulated anything, exactly as Henry Hazlitt said it would not, confirming the whole theory behind *Economics in One Lesson*. The monetary stimulus has been an incredible flop, precisely as Ron Paul said it would be in *The Case for Gold*. The whole claim that the government would save us has turned out to be an aspect of what Hans-Hermann Hoppe calls *The Great Fiction*.

This is the end of the road for the planners. The American people are extremely resistant to tax increases. Even on health care, some pullback would not be unexpected: the Obama administration does not want to be the trigger that causes more unemployment stemming from higher costs on small and medium-sized businesses.

The other legislative monster of the president's first term was the Dodd-Frank financial overhaul, which inspired a constant battle cry for repeal from Republicans during the primary season. But while this regulatory dog may end up biting, for now only a third of the act's required 398 rules have been finalized. The courts have struck down a few of legislation's new provisions, and more legal challenges will follow.

The Fed is mostly out of options. The central bank can only keep doing the same old QE thing over and over. But while the Fed makes itself bigger, as Steve Hanke pointed out in an LFB interview, the biggest engine of money creation is the commercial banking system, and the banks are not creating money by lending. Dodd-Frank uncertainty and tough bank examiners are making bankers shy to lend. This has grounded, for the moment anyway, Ben Bernanke's inflation helicopter.

The fiscal crisis cannot be solved through mere reform, but reform would help. War with anyone would break the bank completely, and the military knows this. No one is even talking about gun control anymore, thank goodness. And there is extreme grass-roots pressure for letting up on the war on drugs.

This isn't the end of the road for the state, but it is getting close. Politicians are usually liars and thieves, but they are not entirely impractical men and women. They will try the wrong thing a thousand times before they finally relent to the obvious. But eventually, they can relent. If the economy double dips in a serious way, that could prompt a complete rethinking of the path of the last for four years of folly.

The bigger point is that the really big changes happening to the world today are taking place outside politics. Russ Roberts puts it best:

"Remember that politics is not where life happens. Policies affect our lives, but we have much to do outside that world. Yesterday, I helped my youngest son learn Python, learned some Talmud, played with my photographs on Lightroom, had dinner with my wife, and went shopping with my oldest son for his first nice blazer. Lots of satisfactions there. Nothing to do with politics.

"Put Tuesday night behind you for a while. Remember what matters. Take a walk. Read to your kids. Go out for dinner with your spouse. Read more Adam Smith and less of the *Drudge Report*. And smile at your neighbor. That's always a good idea. But there's a bonus -- it might help your neighbor imagine that someone who believes in leaving things alone when it comes to the coercive power of government might actually be a decent person after all. And then maybe he'll be a little more open to those crazy ideas you talked about at that dinner party."

Especially considering the holidays coming up, a time when the beautiful aspects of private life are on display as never before, he is precisely right.

Nelson's Favorite Quotes

"The way you think, the way you behave, the way you eat, can influence your life by 30 to 50 years."

- Deepak Chopra: is an authority in the field of mind-body healing

"A man in debt is so far a slave."

- Ralph Waldo Emerson

"Americans buy things they don't need – with money they don't have – to impress folks they don't know, who could care less"

- Bill Bonner

Thanksgiving

There is nothing more beneficial to the human psyche than to be overcome with a spirit of thankfulness. We have just experienced the traditional holiday of Thanksgiving. What a wonderful season this is! I am thankful to those who encouraged me to write Becoming Your Own Banker some thirteen years ago. I have been extremely blessed as a result to knowing so many of you personally. Thank you for all that you are and all that you do for the cause for which we labor. It is so gratifying to see people work themselves out of "financial darkness" as a result of your work.

While going through my extensive list of items for which I am thankful, I remembered the article below that my mentor, Leonard E. Read wrote back in 1976 and so I share it with you to contemplate during this Thanksgiving season. --- R. Nelson Nash

Let's Count Our Blessings

By Leonard E. Read

My God! How little do my countrymen know what precious blessings they are in possession of, and which no other people on earth enjoy.

---- Thomas Jefferson

Our habits, good and bad, often have strange origins. Rarely can one explain the forces that set up a behavior pattern, nor can I do more than trace the history of a good habit of mine – born in 1964.

We were conducting three successive FEE Seminars at the Mission Inn, Riverside, California. This Saturday was my 66th birthday. Overflowing with gratitude at the way things were going, not only with the Seminars but with me personally, I scribbled on my writing pad 66 blessings – in a few minutes. After finishing, I destroyed the sheet. There was a purpose behind this gesture; Learn to reflect on each day's blessings as sufficient for that day without reference to previous recordings. By following this practice each birthday since 1964, counting my blessings has become a daily habit – and a rewarding one!

There's a second incident, reinforcing the first. A year later, while conducting a Seminar in Missouri, a deeply religious individual asked, "What is the significance of the Commandment, 'Thou shalt not covet'?" Never having pondered that one before, I gave him what is a correct answer to many questions, " I do not know," however, the query kept nagging at me – a challenge that wouldn't down.

After considerable reflection, I realized that this Commandment – the tenth – is more important than all but the first. Covetousness – envy – lies at the root of stealing, killing, bearing false witness, and other evils. My conclusion: To the extent that the souls of Americans are cleansed of envy and covetousness, to that extent will we be graced with stalwart, righteous citizens. What's the formula for riding ourselves of these traits? *Count our blessings!*

As related to this thesis, there is an attitude that dominates thinking and another that could become dominant. Voltaire expressed my views: "The longer we dwell on our misfortunes, the greater is their power to *harm* us."

Just as obvious: "The longer we dwell on our blessings, the greater is their power to *improve* us."

As to the first attitude, one should, by all means, be keenly aware of the misfortunes which beset society. Properly assessed, they are steppingstones to truth, -- blessings in disguise. Learn the wrong, to find the

right!

Voltaire, however, had in mind the common attitude he observed in his time -- two centuries ago – which is precisely what we observe in the USA. today: citizens by the millions dwelling *only* on the countless misfortunes. The result of this myopic, unperceptive, shortsighted view? Ruled by pessimism, despair, hopelessness, despair, such persons become crepehangers, doubting Thomases, worrywarts. Harm to themselves? The famous Dr. Charles Mayo wrote:

> *Worry affects the circulation – the heart, the glands, the whole nervous system. I have never known a man who died from overwork, but many who died from doubt.*

These people not only do irreparable harm to their own lives but a disservice to the rest of us and, may I add, to the cause of human liberty. No truth was ever advanced by dwelling only on man-made misfortunes founded, as they are, on ignorance or untruths or outright lies!

Turn now from the negative to the positive, from dwelling on our misfortunes to dwelling on our blessings, from looking hellward to peering heavenward, from that which harms to that which improves. If enough of us do this our countrymen "*will know* what precious blessings they are in possession of, and which no other people on earth enjoy." Too high an aspiration? A bit of reflection will easily replace misery with joy, forlornness with hopefulness.

Conceded, no person will ever count all of his or her blessings. The human being does not exist who can count that far – our blessings border on the Infinite. Every heartbeat is a blessing, as is every breath, all discoveries, inventions, insights, intuitive flashes that have advanced truth and human welfare since the dawn of consciousness. So Numerous, they stagger the imagination – delightfully!

Thomas Jefferson's reference was to the countless blessings Americans enjoy relative to people of other nationalities who lived at his time and before. Imagine, the greatest outburst of creative energy in all history, each individual, regardless of his or her station, free to act creatively; serfdom squelched, dictocrats unseated – the American miracle! Jefferson had reason aplenty to lament the dearth of appreciation – this blindness to blessings – in his time. Were he among us today, what would his phrasing be? My guess: "Thank God! I can at least count my own blessings."

Well, in this respect, give Americans some more Jeffersons! Why is it that the more we dwell on our blessings, the greater is their power to improve us? There are more reasons than I shall ever know, but here are three:

- When the eye is cast on one's blessings, covetousness is overwhelmed; there remains no envy to darken the soul.
- Dwelling on our blessings aligns us with reality. Blessings, as heartbeats, are so commonplace that, short of conscious effort, they are not recognized. Counting them, day in and day out, impresses upon our minds now greatly they grace our lives and how relatively insignificant are our misfortunes.
- Individuals who are reaching for this truth are learning. By their own enlightened prescription, they are teachable. And as the Third Beatitude has it, "The teachable shall inherit the earth."

What is meant by "earth" as here used? To repeat what I have written before, it has nothing to do with acres of diamonds, soil, rock. Rather it related to man's earthly potentialities: the evolution or emergence of individual faculties, a growth in awareness, perception, consciousness.

Stated another way, those who have so gained a control of themselves as to allow the search for Truth to take charge of their lives are the ones who have the capacity to live their earthly lives to the full: to them the real treasures of this mortal life belong.

To me, the Third Beatitude means: The teachable shall be graced with a realization of their potentialities. How do we become teachable? The simplest of all formulas: *Count our blessings?* Not only our

numberless personal blessings but, as well, the blessings bestowed on us by Thomas Jefferson and others among America's Founding Fathers!

Number Thirty-one 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.

PART IV, Lesson 31: Equipment Financing continuation

Content: Page 51-62, *Becoming Your Own Banker: The Infinite Banking Concept®* Fifth Edition, Sixth Printing

This young man is making a mediocre living as a logger – and the finance company is living well from his payments on the equipment. If he wants to make more money he should get into the "banking business" through dividend-paying whole life insurance. The good news is that he doesn't have to get out of his logging business to do so. In fact, every businessman should be in two businesses – the one in which he earns his living – and the banking business that finances what he does for a living. Of the two, banking is the most important.

To get into the banking business, he is going to have to come up with capital – in this case I suggest that he put $40,000 per year for four years into very high-priced whole-life insurance with a reputable, well managed company. Now, please don't ask me where he is going to get that much money for premiums to start this new venture!

Remember that he put a $13,190 down payment on the truck in the last lesson. That was bound to be the case when he bought the other three trucks, too. So, that means he has $52,000 in equity in the four trucks.

Recall, also, that the two logging tractors cost twice as much as the trucks – and they are financed, also. That means he has another $52,000 in equity in them. The tree-shear costs much more than the logging tractors and he must make a down payment of about $55,000 when he purchases it. All this equity adds up to about $160,000. When contemplating this scenario I have yet to have someone ask, "Where did he get that $160,000." He was motivated to come up with that much capital because he thought it would be a good business venture.

So, if he wants to get in the banking business, he must be equally motivated to come up with the capital to get started. Turn to page 54 and look at the top, left corner of the page. There you see the premium structure of a possible plan to get started. Turn to page 38 and visualize where this fits on the scale.

He is putting $15,000 per year in to the Life Paid-Up at 65 "base policy" and he is putting $25,000 into a Paid-Up Additions rider. The net effect is a policy that "snuggles up" to the MEC line – but does not cross it.

Looking at page 54, you note that he does this for four years. At this time he has paid out $160,000 and his net cash value, including dividends that have been buying additional paid-up insurance, is $157,363. He has very little "sunk cost" in getting the policy started – it is very liquid and is sizeable enough to start financing his equipment.

In this illustration he terminates the $25,000 PUA Rider at the end of the fourth year and lets the dividends pay the remaining base policy premium of $15,000 per year. Note that the dividend in the fifth year is $6,339. This is not enough to pay the $15,000 premium due, so some of the paid-up insurance is surrendered to make up the shortfall. Look at the Death Benefit column and note the highlighted numbers. The death benefit is smaller the fifth year than in the fourth year. The difference in the two is the face value of the insurance that was surrendered, the cash value of which ($8,661) made up the difference in the premium ($15,000) and the current dividend ($6,339).

As the schedule progresses the annual dividend is increasing and in the 17th year the current dividend ($15,634) is enough to pay the base premium

($15,000) and the surplus ($634) is used to buy more paid-up additions. The net result of all this is that there is no additional outlay after the first four years. This is the classical "premium offset" illustration with which most all life insurance agents are familiar.

Note that the cash value of this illustration is $1,517,320 at his age 65 and the death benefit is $2,406,948. He considers retirement at this time and looking at the Net Annual Outlay column you see highlighted figures of (-$92,000) from that point on. A negative outlay is "computerese" for income. This income is coming entirely from dividends.

The dividend at age 65 is only $71,942, so paid-up additions were surrendered to make up the shortfall just as we did earlier in this lesson to pay premiums. At year 47 the dividend ($92,892) is more than the income figure, so the surplus purchases more paid-up insurance.

Suppose he dies at age 85. He has recovered everything that was paid into the policy plus $1,588,000 -- and still delivered $2,407,736 to the next generation so that they don't have to "reinvent the wheel."

All this looks pretty good, but while this is happening, he is still paying $16,000 per month to the finance company for his equipment – and they are getting the money to lend him from the same pool! Outrageous! We will look at the solution in the next lesson.

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

The Great Betrayal – The General Welfare Clause of the Constitution by Eustace Mullins

Murder by Injection by Eustace Mullins

Nelson's Live Seminars & Events for January / February 2013
http://infinitebanking.org/seminars/

IBC Think Tank Symposium
7-8 February, 2013

The Think Tank will provide a fresh perspective on the essence of IBC and equip producers with the education to help "open those closed minds," and help the IBC community "push back the frontiers of ignorance." - David Stearns, Think Tank Host

This is the seventh year for the Think Tank and it is shaping up to be the most exciting symposium to date! I have "leveled the playing field" by setting one attendance price for everyone, regardless of your Think Tank membership status.

Event Pricing Includes:

- Admission to Symposium
- All meals during Symposium
- Complete Symposium DVD Set (Produced and shipped after the event.)

Regular Pricing:

- $500 when you register and pay between December 1st - December 31st.
- $600 when you register and pay between January 1st - January 31st.
- Couples* can attend for only $100 more with regular paying attendee. *two persons married, engaged, or otherwise romantically paired

Please click through to the event homepage below to get all the details including the agenda, speakers and times.

You can register for the think tank and book your sleeping room at the host hotel, the Sheraton Downtown Birmingham, online and securely pay with credit card or PayPal.

Go to Symposium homepage

Register Now!

Sheraton Downtown Birmingham Link

Nelson will conduct his *Becoming Your Own Banker©* *Seminar* on Tuesday night and all day Wednesday (5-6 February preceding the symposium).

If you have not attended a live Nelson Nash Seminar, it is a prerequisite for Think Tank Attendance! Any live Nelson-led seminar conducted across the country meets this requirement.

For those that wish to attend the Think Tank, but have not attended the prerequisite seminar, we have scheduled one immediately preceding the Think Tank. Or, check our seminar schedule online at www.infinitebanking.org and coordinate to attend any one of the scheduled seminars.

NOTES:

1. For those attending the seminar only, please do not register for the symposium.
2. Those attending both the seminar and the symposium must register separately for both events!
3. Special couples pricing is based on the definition of a *couple as two persons married, engaged, or otherwise romantically paired*.

Thank you for your attention and response, I look forward to seeing you in Birmingham, in February!

Becoming Your Own Banker
Birmingham Seminar 5-6 February, 2013

5-6 Feb BYOB Seminar Link

What if you could earn what a traditional bank earns on a loan to finance your cars or other major purchases, while recapturing all the principle the loan?

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- Creating your own banking system using dividend-paying, permanent life insurance.
- Capitalizing and establishing your plan.
- Using the method to finance your automobile purchases and even to finance your home.
- Expanding your system to accommodate all income through a system of banks to increase your personal wealth.
- How a business can use the concept for equipment financing.
- Why everyone should be fully engaged in two businesses - their occupation and Banking.

The possibilities are infinite!