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Your Personal Bank - frequently asked questions

Your Personal Bank is a powerful financial tool typically only shared with the ultra-wealthy by the financial industry. No other financial vehicle comes close to giving you the advantages of a properly structured and maintained Your Personal Bank policy. The Your Personal Bank concept is often misunderstood by many people, including most legal, tax, and financial advisors. Lack of information and improperly structured policies are frequently the cause.

Below are **frequently asked questions about Your Personal Bank.** If you are already a Your Personal Bank policy holder, this is a helpful guide to better understand the Your Personal Bank concept and the financial tools. This will help you maximize returns, minimize taxes, and enhance results.

1. Why have I not heard about the Your Personal Bank concept?

This financial concept is known by many names such as Infinite Banking, Be Your Own Bank, Your Family Bank, Your Personal Bank, 770 or 702 Plans, etc.

The financial industry has focused almost exclusively on the ultra-wealthy for this financial concept. Only a tiny percentage of advisors have ever been introduced to this concept.

Most financial advisors that are familiar with Your Personal Bank manage family offices. These are small, closely held businesses. They manage millions in assets, typically in multiple countries, for a few families, trusts, or even one very wealthy client. Unless you have met one of these type of financial advisors, it is highly unlikely you would have been introduced to Your Personal Bank.

I, Ferenc Toth, as President and Founder of Secure Estate Management, after over 12 years as a leading producer in the financial industry was fortunate to discover and be taught this powerful financial concept by some very successful business and financial leaders.

Secure Estate Management is one of the very few agencies in the US that has agents thoroughly trained in how to properly establish and maintain Your Personal Bank to maximize results for you.

2. What financial tools work best with the Your Personal Bank concept?

Any financial product could be used with the Your Personal Bank concept. Insurance happens to be the most effective tool for the concept. If you are going to access the funds from Your Personal Bank, you want the underlying financial product to have the following characteristics:

1. ***Compound Interest**:* this ensures growth every year.
2. ***Guaranteed**:* if you borrow against an asset, you do not want the underlying asset to lose value.
3. ***Liquidity:*** products such as some annuities and CD's have guarantees but not enough liquidity.
4. ***No Restrictions:*** you want access to your funds without age limits, penalties, etc.
5. ***Tax-Free:*** tax-free growth is preferable to taxable growth. (Based on current tax law.)

Insurance products are not recommended as the financial tool to support Your Personal Bank because we favor insurance. Through a process of elimination, insurance works the best with the Your Personal Bank concept.

3. Can any insurance product work with the Your Personal Bank concept?

No. There are several types of insurance products that exist. Most do not work well with the concept.

Term: Has no cash value. Does not work.

Variable: Returns are based on stock market returns and can lose value. Many people purchase these policies because they are shown an illustration that looks favorable. But, if the stock market does not perform as expected, your policy could lapse. You could be faced with a choice of either paying the insurance company additional premiums (many times later in life) or your policy lapses and you owe taxes on the gains in the policy while it was in force. These are usually both bad options.

Index Universal: Returns are based on stock market returns. Index universal policies are guaranteed to not lose value due to market loses. Some have a minimum return of 0-2% annually. If the stock market does not perform as expected, your policy could lapse because the minimum guaranteed return is not enough to prevent the policy from lapsing. You could be faced with the same choice of either paying the insurance company additional premiums (many times later in life) or your policy lapses and you owe taxes on the gains in the policy while it was in force. These are usually both bad options.

Universal: These policies generally do not work because the cost of insurance increases annually as you age. The cash decreases over time, instead of increasing. You want your cash to increase over time, not decrease, especially if you want to access funds over your lifetime and supplement retirement.

Whole: Whole life policies work best with the Your Personal Bank concept. Returns are guaranteed. Cash value and growth is guaranteed. Fees and cost of insurance are also guaranteed. It is all about the guarantees. There are no surprises. Your policy cannot lapse if the market does not cooperate. This guarantees that your cash value increases annually. You are ensured of having more funds available to use every year for the rest of your life. Key point: the policy must be structured correctly to maximize cash value and growth, see #4.

4. Why have I heard or been told not to purchase whole life insurance?

There are two primary reasons. First is lack of understanding. Most policies are not structured correctly to maximize cash value and growth. Insurance companies and agencies typically do not teach their agents or home office employees that there is a wide range in regards to how much cash value can be structured in a policy.

The second reason is fees. If the policy is structured efficiently for the Your Personal Bank concept, the fees will be minimized. For example, if the cash is doubled, the fees are reduced by about half. There is only so much money that the insurance company can pay and make a profit. Either the agent or the client is going to get paid.

The cash in your policy can be maximized up certain limits that are set by federal tax law. This is known as the Modified Endowment Contract Rule (MEC). That is why it is so important to find an agent that is willing to maximize your cash to maximum allowable limits that are set by this law.

If you have a quote from another agent, please contact our Your Personal Bank agents to provide a no cost or obligation comparison to ensure you are receiving the maximum allowable cash value and cash growth allowed by law.

5. What is the difference between a Your Personal Bank policy versus a traditional cash value policy?

A Your Personal Bank life insurance policy is structured with a much higher initial cash value and faster cash growth. Also, the **cash is available day one.** Traditional cash value policies typically allow you to access little or no cash the first 3-4 years and the cash builds much more slowly over time.

The difference in total cash available and annual cash growth of a properly structured Your Personal Bank with our agents and a traditional cash value policy is typically as much as **50+% addition annually**!

6. Why should I use a policy loan instead of a cash withdrawal when accessing funds?

There are several options to access funds from a cash value life policy.

1. Dividend Distribution: Taking dividends is similar to taking interest from a CD. You are taking the gains so there is no future growth. You cash value and death benefit stays static. This is not recommended for a Your Personal Bank policy.

2. Cash Withdrawal: You can withdraw cash from a policy. The problem is that when you reduce cash, you also reduce future growth. Plus, you would have to pay taxes on gains earned in the policy. Unfortunately, this is the most common method policy owners use to access funds from cash value insurance policies. This option is not recommended for a Your Personal Bank policy.

3. A policy loan is an advance on the future death benefit. The death benefit is reduced by the amount of funds accessed. Also, the death benefit is the collateral for the loan. The cash continues to stay in the policy and earn compound interest. You are guaranteed an increasing amount of cash to access every year for the rest of your life. This is the best way to access funds from Your Personal Bank policy.

7. How does a policy loan work?

Your policy statement is very simple and will show gross cash value, net cash value, and death benefit.

- Gross Cash Value: Total cash in policy. Interest/dividends are credited on the entire gross cash value. Therefore, if there are policy loan(s), the gains are paid on both the borrowed and non-borrowed funds. You did not remove cash from your policy. The cash stays in the policy and earns compound interest.

- Net Cash Value: Remaining cash available to access after a policy loan.

- Death Benefit: Amount your heirs would receive when you pass away on a tax-free basis. The death benefit is the collateral for the loan. Policy loan(s) reduce the death benefit. If you passed away after taking a policy loan, your heirs would receive the death benefit minus the amount you accessed.

When you access funds through a policy loan the gross cash value remains the same. The net cash value and death benefit would be reduced by the amount accessed.

Whether you take a policy loan or not, the **gross cash value increases guaranteed every year!** Interest/dividends are paid on both the borrowed and non-borrowed funds. Compound interest ensures an increasing amount of money available every year for the rest of your life!

The primary difference between taking a policy loan or not is the death benefit would be lower with policy loan(s) than without. If you payed the loan back the death benefit would increase back to the higher amount.

8. How can my cash continue growing even when I access funds through a policy loan?

When you borrow from your policy, the money doesn't come from the cash value of your policy. Therefore, your <u>cash stays in your policy and continues to earn interest</u>. The death benefit is used as collateral to pay off the loan when you pass away.

Key point: If you owned an insurance policy with a $1,000,000 death benefit is that an asset or liability to the insurance company? The insurance company is contractually required to issue a $1,000,000 check to your heirs when you pass away. Clearly, your insurance policy would be a liability on the insurance company's books.

How much in cash reserves would the company need to issue $1,000,000 checks in a few days? The insurance company is required to have significant cash reserves readily available. These funds must be liquid. Therefore, the return on the cash reserves would typically be lower than returns on a longer-term investment.

If the insurance company gives you an advance on the death benefit thru a policy loan, the company can reduce their liquid cash reserves and free those funds to invest in longer term investments that typically pay a higher rate of return. The insurance company reduces the liability on their books which frees up their cash reserves to make more money. The company is happy to advance the funds to you. It is a win-win!

9. What rules or limitations do I have regarding accessing funds through a policy loan?

You are contractually guaranteed to be first in line to get access to your cash value and you can't be turned down for any reason. You don't have to complete any credit applications or personally guarantee the loan.

Most insurance policies that have little or no cash value in the first 3-4 years. A properly-designed Your Personal Bank policy is designed to maximize cash. You will have cash value available day one!

Depending on your situation your policy will have **access to 50-85%+ of the funds you contribute day one**. Your liquidity increases annually until within a few years, you can access 100% and more of your contributions. You have access to a portion of the future death benefit through policy loans at any time and for any reason. The only questions you'll be asked are how much do you want and where do you want it sent.

10. What can I do with the funds once I access them through a policy loan?

The cash in your policy is yours! You can use the funds for any purpose, regardless of age, income, or any other reason. If accessed properly from a Your Personal bank policy, the funds are tax-free!

Common uses include, but are not limited to: replacing income losses from emergencies such as disability or job loss; major purchases such as autos, homes, vacations; college education; fund investments; business expenses; fund your retirement; and/or create a legacy for your children and grandchildren.

Purposes for policy loans are limited only by your imagination! Policy owners of all ages, incomes and backgrounds have accessed cash through policy loans for decades, including:

- Per FDIC records, about 15% of the average bank's Tier One capital is bank-owned high cash value life insurance. Tier one capital is the bank's safest and highest rated assets.
- Former Federal Reserve Chairman Ben Bernanke has the majority of his personal net worth, between $1-2 million in cash value insurance products.
- John McCain used the $3 million of cash in his policy as collateral to secure initial campaign financing for his presidential campaign in 2008.

- Walmart and the Walton family have used cash value life for decades to grow wealth and pass it on to future generations on a tax-free basis.
- Ray Kroc had constant money problems during the early years. He accessed funds through policy loans to help cover salaries of key employees and to create the initial Ronald McDonald advertising campaign.
- Walt Disney used $1 million of cash in his policy in 1953 to build Disneyland after being turned down for loans by over 300 banks and his brother.
- Bob Hope used the cash in his policies to become one-third owner of a series of movies he filmed with Fred Astaire in the 1940's. The films were the foundation to help him become a multi-millionaire.
- Franklin Roosevelt's entire net worth when he died was about $15 million, nearly all of it was cash in his life insurance policies.
- JC Penny used the $3 million of cash in his policy help meet company payroll after the 1929 stock market crash. Banks were not lending and some were closing. If he did not have access to his cash value, the company probably would have closed its doors.
- The Rothschild banking family was one of the first, starting in the late 1700's, to use cash value life to grow assets and pass on to following generations on a tax-free basis. They continue that legacy today.

If maximizing cash using a Your Personal Bank policy was good enough for the people above, why not you?

11. Would I receive a higher return if I invested in a different investment instead?

If the other investment does not lose money, using Your Personal Bank will enhance your returns versus investing alone.

As stated earlier, the insurance company pays interest on the total cash (gross cash value) regardless of policy loans. You earn interest on the borrowed and non-borrowed funds.

The borrowed funds could be invested into any investment; stocks, bonds, mutual funds, real estate, business, etc. You would receive the combined return of the Your Personal Bank policy and your other investments.

Caution: Before funding another investment, make sure you are comfortable with the risks and tax implications. Have a back-up plan to continue funding Your Personal Bank in case the other investment goes wrong. You do not want to lose tax-free, compound interest for the rest of your life because another investment lost money!

12. What are the tax implications regarding Your Personal Bank?

Cash grows within the policy on a tax-deferred basis. Therefore, no taxes are owed when the cash value within the policy increases each year.

The funds from policy loans are an advance from the death benefit and are tax-free. The funds are loan proceeds, not income, therefore no 1099 or any other tax form is issued by the insurance company when you access funds through a policy loan.

Your Personal Bank is one of the only financial tools available that will allow you to grow, access, and pass on your funds to your heirs, all on a tax-free basis! And without age or income restrictions or market risk!

Caution: Funds can be accessed in some policies by dividend distributions and/or cash withdrawals. These can trigger a taxable event. That is one of the reasons why it is always recommended to access funds from Your Personal Bank through a policy loan. (Based on current tax law. Contact your tax professional for specific details.)

13. What are the costs on a policy loan?

Many insurance policies allow you to take policy loans. Very few policies have the following provisions that work best with Your Personal Bank:

- Wash Loans: The interest paid on the cash is the same or more than the cost of the loan (interest rate charged). Therefore, the cost of the loan is zero. The amount you are paid and charged is a "wash".

- Positive Arbitrage: The best policies pay you interest on the cash and reduce your death benefit when you access funds. The gains are paid on both the borrowed and non-borrowed funds. You did not remove cash from your policy. The cash stays in the policy and earns compound interest. You have a net gain when borrowing. This is known as positive arbitrage. You are now a banker!

14. Do I have to pay my policy loans back and what are the repayment terms?

There is **no requirement** or repayment schedule to pay back your policy loans.

If you do not pay back the loan, the cash value increases guaranteed every year while the death benefit increases at a slower rate or slightly decreases each year depending on the situation.

Either way, you have **more cash guaranteed each year for the rest of your life**!

If you use your cash value to pay off bills or finance purchases, you eliminate fees and interest charges to the lender. These costs can be substantial, sometimes doubling or tripling the total cost of the item!

Also, you would gain control of when and how much you decided to pay back. No more late fees or notices! You could reduce or skip payments and not have to worry about collection calls or negatively affecting your credit. Flexibility brings great peace of mind.

If you chose to pay back your loan, the amount available to access (net cash value) would increase faster, along with your death benefit.

Tip: You can choose to pay the loan and interest. The loan and interest payments allow you to add additional funds to your policy so your cash value grows even faster! Think of it this way. Would you rather pay interest to a lender or take an advance on your death benefit, then pay yourself back the principal and interest you would have paid to a lender? This way you capture those funds and earn additional interest on a compound basis for yourself instead of lining the pockets of banks and finance companies!

15. If I have extra funds and have a policy loan, should I pay back the loan?

Again, there is no requirement to pay back the loan. But if after accessing funds through a policy loan you then have extra money it nearly always makes sense to repay or pay down the loan.

The main reason is even though you are earning interest on the borrowed and non-borrowed funds (gross cash value), the remaining amount available to access (net cash value) has been reduced by the amount you accessed through the policy loan(s).

By repaying the loan, you increase the amount available to access (net cash value). You can then pay off another bill, purchase another item, or look for the next investment opportunity.

16. If I have the money to purchase an item, should I pay cash or access the funds through a policy loan?

Let's assume you decide to buy an item. If you paid cash for it, how much interest will you earn in the future on the cash you spent? ZERO!

Can you ever spend money from an account and earn future interest on it? No. Once you spend it, the money is gone forever.

Key Concept: It's very important to understand that you finance everything you buy. You either pay interest and fees to finance things, or if you pay cash you lose the investment income you could have earned if you kept your money invested. This is known as lost opportunity cost.

The average American with a college degree earns $1.8 million dollars in their lifetime, per the US Census. The average American pays $280,000 in interest in their lifetime, per credit.com. Your credit score and size of mortgages are the biggest factors.

Would you rather pay interest to lenders or keep it yourself? If you could capture one-half of the interest you would have paid to lenders and let that money grow in your policy, while still purchasing the items you want and need, how would that impact your retirement?

Individuals and families could increase their lifetime wealth by hundreds of thousands of dollars, by financing major purchases through their **Your Personal Bank** policy.

CAUTION: Your policy must be from one of the handful of companies that offer products that pay you the index gain, or interest and dividend on your total cash (gross cash value) in the policy regardless of policy loans. This is a key reason to work with a Your Personal Bank advisor.

17. How does a 401(k) loan compare to a policy loan?

Usually, there are strict limits on how much you can borrow from your 401(k). Many companies do not allow their employees to take 401(k) loans.

The rules typically include when and how you must pay your 401(k) loans back. If you are unable to meet these rules, you must pay penalties and taxes. If you lose or change your job for any reason, you typically must pay your 401(k) loans back, plus all interest due, within 30-60 days. If you don't, you'll have to pay penalties and taxes!

Why? Because they can! And you thought it was your money, right?

Think again! The government and your employer set the rules and terms of when and how you can use the money in your plan. And they can, and do, change these rules whenever they want.

To take a 401(k) loan requires you to liquidate your investments or assets. This often means selling at precisely the worst time. If you need the money and the market is down, you get slammed. Depositing your hard-earned dollars in a 401(k) places your money in control of the company and the government, not you.

Also, with everything being equal, **is it better to pay taxes on the seed or the harvest?**

Traditional 401(k)'s often cause you to pay more in taxes overall. The goal of the 401(k) is to increase in value over a period. When you deposit into a traditional 401(k), you defer the taxes now, then pay taxes later when you withdraw, usually in retirement. The problem is that you are deferring taxes now on a small amount (the seed), then paying taxes later a much larger amount (the harvest), typically.

The argument is this works because you will be in a lower tax bracket in retirement. I hope that is not your goal! That means you will make less in retirement.

Also, what will your tax rate be when you retire? The government has created a massive amount of debt. Will the future tax rates be higher or lower? It certainly is an unknown. Why take that risk? Does it make sense to rely on the government to determine how much of your hard-earned dollars you have left to spend after taxes?

18. If I get a lower interest rate from a finance company than the insurance company charges, should I do that instead?

If you can get a lower rate than the insurance company charges, you may choose to take advantage and put the interest you save into Your Personal Bank policy. But there are two important caveats:

Caveat 1: Only do this if you have enough cash value in your policy to transfer the entire loan balance to the policy if you hit a rough patch financially. Then you control the repayment schedule. You won't have to worry about collection calls, foreclosure, repossession or having your credit ruined.

Caveat 2: In most cases, those low interest rate offers are not what they appear to be. There's no such thing as a free lunch! The low rate is usually instead of giving you a discount or rebate. So, always bargain to get the lowest cash price, then ask for the low interest rate or rebate. It is unlikely you will get both.

"A banker is a fellow who loans you his umbrella when the sun is shining, but wants it back the minute it begins to rain." Mark Twain

Banks are not your friends. Their purpose is to earn interest from your hard-earned dollars. Have they done you a lot of favors? If not, why continue to play the game by their rules and give them control of your money?

Why not fire the bank, become your own source of financing and take back control of your financial future? Change the financial future of yourself and your family!

19. How does Your Personal bank compare to other financial accounts?

Your Personal Bank policy gives you many advantages other financial accounts do not, including:

- Returns are typically higher than savings, money market, CD's, or fixed annuities.
- Returns have been higher than many stocks, bonds, or mutual funds over the past 10+ years all without market risk.
- Access your principal, growth, and pass on to your heirs tax-free! (Based on current tax law.)
- Access funds against your death benefit and the company pays on the total cash (gross cash value) in your policy. In effect, you earn interest on money you spent for the rest of your life!
- Do not have to pay back the policy loan(s). The loan(s) are paid back when you pass away. The death benefit is reduced by the amount you accessed plus interest.
- Choose to pay your loans back if you want to and on your schedule, not someone else's.

- Long-Term Care benefit at no additional cost. If you need it, you have it. If not, you did not pay for it!
- Death benefit protection to replace future income for your heirs in case you pass away prematurely. This creates financial peace of mind for your loved ones.
- Life insurance companies are far more regulated than any other financial institution and enjoy a multi-layer safety net.
- Asset protection advantages from lawsuits or creditors. (Amount protected differs by state)

20. Summary

Your Personal Bank is a powerful financial tool that can improve your life in many ways.

Contact one of our Your Personal Bank agents for a no cost or obligation analysis to help you properly establish and maintain maximum cash value and maximum cash growth. This will ensure you will receive the maximum benefits this product can provide.

The wealthy have used this powerful financial concept for over a century. Share the Your Personal Bank concepts with your friends and family! Establish and maintain Your Personal Bank and change the financial future of you and your loved ones!

Together, we are changing the financial future of individuals and families!

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