Think like a Banker rather than an Investor

When it comes to investing, most of us are taught to think like an investor, not a banker. There is a difference.

Most of us invest by trading dollars we worked hard for to purchase assets such as stocks, bonds, mutual funds, annuities, real estate, businesses, etc. We do this because we anticipate the asset will increase in value. The problem is that there is no way to know what the value of the asset will be in the future.

For example, when you buy a stock, real estate, or a business, *do you know what it will be worth in a year or five years?* You can look at trends and many other factors to make and an educated estimate, but it is impossible to know what the asset will be worth at a future date. Therefore, the actual return has a **high degree of uncertainty.**

Bankers operate from a totally different perspective. Have you ever had a mortgage or an auto loan? When you signed the papers for the home or auto loan, what was the *degree of certainty* that you were going to make the payments? High or low? I am confident the answer is very high. In other words, you intended to make the payments unless something catastrophic happened.

The banker/lender understands this fact also. The banker knows you have every intention to make the payments. Therefore, the **banker has a high degree of certainty** that the loan will be paid back.

In addition, if you fail to make the payments what happens? The bank takes the house or car back. They often re-sell it to another borrower to create payments. The bank has protected the downside by collateralizing the loan. Is the banker risking their money? Not really. Lending industry statistics show collateralized loans rarely lose money.

Too often people invest in the stock market, real estate, or a business without any downside protection. If the market cooperates or the business succeeds, all is well. But when the next economic cycle turns against them, or something bad happens like a disability, they take a loss. Sometimes, the asset is lost completely.

Most investors are subject themselves to the roller coaster of economic cycles with no idea of how to get off the ride. You don't have to join them!

In summary, thinking like a banker instead of thinking like an investor requires you to have a strategy to recoup loses if something goes wrong with your investment. **Protecting your downside is the key.**

Diversification is often described as a strategy to limit loses. The problem is that during an economic downturn, it often has not worked. Investing in multiple sectors of the stock market did not prevent most people from taking significant losses in 2008-9.

The different sectors are part of the overall stock market. A rising tide raises all ships. A declining tide lowers all ships. The downside protection must be unrelated to the investment and not affected by the same factors.

Numerous strategies are available to protect your downside. Lenders collateralize loans to protect from failed payments. Stock traders use options known as puts and calls to protect the downside. Insurance is often used as tool to protect from losses. Homeowners and auto insurance are common examples.

When it comes to investments, having accounts that are guaranteed can prevent losses. CD's, fixed and index annuities, and a *Your Personal Bank* TM fixed policy have guarantees. Many investors use these financial tools to protect a portion of their assets. The "bucket system" is often employed.

The bucket system is a popular method that allocates funds into different buckets of money. Some buckets are designated for long-term growth. Other buckets include, guaranteed, short term, or emergency money. Typically, investors designate 3 or more buckets.

This allows the investor to clearly identify the goal for each of the individual buckets. They can then fund accounts that best fit the goal for each bucket.

By clearly identifying the goal for each bucket, the investor also helps avoiding having too much of their money at market risk. According to Motley Fool, nearly 25% of retirement investors are taking on too much risk by investing nearly all their money in the stock market. https://www.fool.com/retirement/2020/02/12/nearly-25-of-retirement-investors-are-taking-on-to.aspx.

Although the bucket system can help reduce market risk and clarify goals, it does not eliminate market risk.

The ***Your Personal Bank*** TM fixed policy structured as an asset to maximize cash growth (instead of as a death benefit protection tool) can provide guaranteed growth, access to funds, all on a tax-favored basis. It also can provide positive arbitrage on funds accessed to pay bills, purchase items, or invest in other opportunities.

In other words, you can contribute to a *Your Personal Bank* TM, access your funds, use those funds to invest in other opportunities, and still earn interest thru positive arbitrage on the funds allocated elsewhere!

The ***Your Personal Bank*** TM concept is virtually unknown by most people. Over the past few decades, the financial industry has focused overwhelmingly on managed money allocated in the stock market. The investor takes on the market risk while the financial institution and/or advisor collects fees whether your account goes up, down, or sideways.

We have all heard of the 80/20 rule. It certainly applies here. Currently, only a small percentage of advisors have ever been introduced to the *Your Personal Bank* TM concept. Far fewer have a working understand of the concept. A select few have taken the time to become experts.

Even though most financial advisors are not familiar and do not deal with *Your Personal Bank* TM, many professionals, business owners, banks, corporations, and wealthy families use it regularly. What I have learned is they use it because they were fortunate to be introduced and educated by someone who understood and used the concept themselves.

This is not a new idea. It is also not a secret. It also is not a get rich quick or some other scheme.

It is often shared that The Rothschild family is one of the first families to employ this concept and have consistently used it to grow and preserve their family wealth for over 200 years.

According to the Medical Economics article *New Life for Life Insurance…*

- Ben Bernanke, former Federal Reserve Chairman, has nearly 100% of his liquid net worth invested in this concept.
- John McCain accessed funds from his *Your Personal Bank* TM policy to start his initial campaign financing for his presidential campaign.
- JC Penny did the same thing to keep Penny's open thru the Great Depression.

FDIC reports that 15-40% of the average bank's assets are invested in *Your Personal Bank* TM type policies.

If it is good enough for professional, business owners, banks, corporations, JC Penny, John McCain, Ben Bernanke, the Rothschild's, and many regular people, should you at least educate yourself and consider it?

To obtain additional information and to properly establish and maintain a Personal Bank you need an experienced advisor. As I stated earlier, most individuals and financial advisors have little or no knowledge of this concept.

Currently, about 5 financial institutions in the US offer products that can maximize *Your Personal Bank* TM.

This is a very specialized and advanced area of the financial industry. Therefore, an experienced advisor with the proper product structured correctly is the key to obtaining the best results with ***Your Personal Bank*** TM**.**

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- Host of the ***Your Personal Bank*** TM radio show on Money Radio, 1510am and 105.3fm
- Nationally acclaimed educator and speaker on financial literacy
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Ferenc is founder of ***Your Personal Bank*** *TM*. He is passionate about helping people gain control of their money, create tax-favored income, and having access to more funds over their lifetime!

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