True Value of a Dollar

Assume that you decided to purchase a cup of coffee for a dollar. I know what you are thinking, good luck finding a good cup of coffee for a dollar. I understand, but please follow me on this.

When you purchase the cup of coffee you trade your dollar for the cup of coffee. My question for you to think about is…**Did that cup of coffee cost you a dollar or something more than a dollar?**

I have asked this question hundreds of times to people of all ages and every type of background. Most of the time I can tell this is the first time they ever considered that question. Interestingly, most people hesitantly respond with the correct answer. The cup of coffee cost them more than a dollar.

When I ask them why you think it cost more than a dollar, very few know why. The answer is a very important financial literacy key but almost never understood or taught by anyone.

The reason that the coffee cost you more than a dollar is because when you trade your dollar for something like a cup of coffee, **you gave up the dollars ability to earn for you**. In other words, what could that dollar have earned in your lifetime if you had invested it?

This is known as lost opportunity cost.

Trading dollars for items can be very costly. Especially when you consider not only what you paid for the item but then add what those dollars could have earned over your lifetime if you had invested them.

The power of compound interest plays a key factor. The longer you have to invest funds, the greater the increasing rate of return. Dollars earn interest, which give you more dollars. The additional dollars also earn interest, and so on. There is an increasing amount of dollars every year at an increasing rate. Compound interest creates an exponential increase.

Key Concept: If you trade dollars for items, you lose the income you could have earned if you kept your money invested. Therefore, the cost of the item is what you paid for it, plus what those dollars could have earned in your lifetime. This is known as lost opportunity cost.

The increasing amount depends on the rate of return and how many years you live. For example, if a 50 year old invests a dollar at 5% compound interest, the dollar will increase to $5.50 with an average life expectancy. The same dollar with a 30 year old at 5% compound interest will increase to $14.00 in their lifetime.

Therefore, that **$1 cup cost the average 50-year-old about $5.50. It cost an average 30-year-old over $14.00!** Now when you trade $5 for a cup of coffee at your favorite coffee shop, you know that cup cost you $25 - $75+, depending on your age.

Know the real cost before you buy.

You can apply this principal to every purchase in your life. Know the real cost before you purchase.

I am not saying to never buy a cup of coffee. There is a balance in life. There are things that we need and want. All I am saying is understand what something really costs you before you trade your hard-earned dollars for that item. If it is worth what it really costs you, then go ahead and enjoy it.

Some of you might be thinking, I am not going to spend my dollar on a cup of coffee, I am going to invest it.

Certainly, investing can help you gain additional dollars, but there is a problem. When you invest in assets such as stocks, real estate, or a business, you trade the dollar for the asset. The asset may go up in value, but you still give up that dollar's ability to earn compound interest for you in the future.

Many financial experts have stated investing strictly for appreciation gains is just another form of gambling. What if the asset does not appreciate or worse, loses value? Not only do you not receive gains but have also lost compound interest potential.

If the asset purchased is a financial account, compound interest gains work only if you do not touch it. Once you take a withdrawal from that account, the compounding on the withdrawn funds stop.

This is one of the primary dilemmas many people have with retirement accounts. Withdrawal timing and the rate of withdrawals from the account affects future performance.

There are many unknowns including:

1. How much money will you need in retirement?
2. What will be your future medical expenses?
3. What will be the tax impact on gains and/or withdrawals?
4. What will be the impact of inflation on your future buying power?

When should you start withdrawing and how much should you withdraw from a retirement account? These are not easy questions to answer due to all the moving parts.

What if you could invest in an account that earned compound interest annually and allowed you to access the funds while still earning compound interest on the funds accessed to pay bills, purchase items, or invest in other opportunities? What if the growth was also guaranteed and tax-favored?

This would allow you to gain appreciation and keep control of your dollars. Your dollars could earn compound interest the rest of your life instead of trading them for assets and losing the ability to earn future interest. Your account could continue to grow even after withdrawals are taken.

There is a financial tool that allows you to do this. Most of us are familiar with it, yet really don't understand what it can do for us. Professionals, business owners, banks, corporations, and wealthy families have been using this powerful financial tool for generations.

How to purchase assets and/or pay off debt and keep control of your dollars so they can continue to earn compound interest for you!

The concept is known as ***Your Personal Bank*** TM. The financial tool most often used is a high cash value permanent insurance policy.

From many years of sharing this idea with individuals, at financial workshops, and on the radio, I know what many people reading this are thinking. “Wait a minute. I thought you were going to tell me how to invest in assets and/or pay off debt and earn compound interest on my dollars at the same time.”

I am. What I am sharing with you is a powerful financial tool that professionals, business owners, banks, corporations, and wealthy families have been using for generations.

Follow me on this and it will quickly become clear why many people using this financial tool can continue growing their money, even after accessing and spending a portion of their money.

Most insurance contracts are structured primarily as a death benefit protection tool. They are designed to maximize the death benefit, not cash. Therefore, they often contain little or no cash. For example, term insurance is strictly a death benefit protection tool and has no cash.

Therefore, I find most people view insurance as an expense, not an asset. In fact, it is easy to search online and find articles from financial experts stating insurance is a bad investment. Whenever I read one of those articles, invariably they refer to a life insurance contract structured primarily as a death benefit protection tool, not an investment.

The articles I read and what most people are missing is that there are riders available on some, but not all, insurance policies that significantly increase the cash growth and funds available. A rider to a policy changes the policy the same as an amendment to a contract changes the contract.

For example, a typical permanent life insurance policy illustration will show no cash for the first 1-4 years, then relatively slow cash growth until around year 10. This is the reason many financial experts often state you need 15+ years for an insurance policy to see growth.

What many people and financial experts are missing is that the riders, often called Paid-Up riders, increase the cash available to 50-80% day one and increased cash growth every year. 50-80% available day one is much higher than zero.

There are typically three options to access funds from an insurance policy.

1. Dividend Distributions
2. Cash Withdrawals
3. Policy Loans

Dividend distributions are the insurance company pays the policy owner the interest earned on the policy. If the gains or profits are paid to the owner, the account does not increase.

Cash withdrawals remove or reduce the cash in your policy. Obviously, future growth is reduced, similar to most other financial accounts, because the funds in the policy are reduced.

Policy Loans allow access to the cash in the policy. They are considered an advance on the death benefit. Therefore, the death benefit is reduced by the policy loan amount. The gross cash remains in the policy and continues to earn interest and/or gains annually.

People often avoid loans because there is usually a cost to loans. Policy loans can increase cash in an insurance policy if it has the correct contract provisions, riders, and is structured to maximize cash value and growth.

1. Interest is credited on the non-borrowed and borrowed funds. Interest/dividends must not be affected by policy loans.
2. Interest rate credited must be higher on average than the interest rate charged on the loan. This is most often accomplished thru variable loan rates and maximum guaranteed loan rates charged.

If you are the owner and insured of a typical insurance policy designed to maximize death benefit, will you ever see the death benefit? No. Your heirs will, but you must pass away for them to receive it. Therefore, you will never see the money.

What if you funded a policy designed to maximize cash access and growth? Could you access the cash in the policy thru a policy loan and use it to pay off debt, purchase items, or to invest in another opportunity?

You would keep control of your dollars in your policy. The non-borrowed funds would grow in the policy over time. The borrowed funds could continue to grow thru positive arbitrage. You could earn compound interest for the rest of your life!

Also, you could benefit from paying less interest on debts and/or gain a return on other investment opportunities.

For some of you, the light bulb just went on. If not, think about what I just shared. I recommend you contact our office for more information.

No other financial tool gives you access to spend your dollars yet continue to gain compound interest. This helps take care of current financial needs and have more money available for future needs!

Many people, including myself, have learned to not purchase financial accounts, real estate, businesses, or any other asset directly. We fund an insurance policy to keep control of our dollars to earn future compound interest. Then we purchase financial accounts, real estate, businesses, or other assets using funds from the insurance policy.

This can also provide some downside protection. If the asset purchased loses value, the cash is still credited interest in the policy. If the interest credited is higher than the policy loan interest charged, the cash increases in the policy. This can help offset an asset loss.

Now do you understand why people using this financial tool can keep getting richer. Despite economic downturns, assets losing value, businesses going under, etc. they have more money every year because their cash keeps growing and compounding in their policy!

Definition of insanity: Doing the same thing over and over again and expecting different results!

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 typically use it because they were fortunate to be introduced and educated by someone who understood and used the concept themselves.

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?

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
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