

**Understanding the ‘Missed Fortune’,
‘Infinite Banking’ and ‘Leap’ Concepts.**

**And, the Value Of the ‘Found Money
Management’ System**



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Understanding the 'Missed Fortune', 'Infinite Banking' and 'Leap' Concepts, And the Value Of the 'Found Money Management' System

As many of you are aware, three of the hottest life insurance sales concepts being touted today are the 'Missed Fortune', 'Infinite Banking' and 'Leap'. Each of these concepts are exceptional ways for advisors to demonstrate to the more affluent prospects the superior wealth building and income producing advantages of cash value life insurance.

Simplistically, by over funding a good cash value life insurance policy up to the MEC guidelines (modified endowment or the 7 pay test) advisors are able to turn a typical cash value life insurance policy into what they call an '**Investment Grade Life Insurance Policy.**' The idea is to pay for the least amount of 'actual insurance death benefits', so they can maximize the growth of the money deposited into the policy. When you combine this strategy with the unique tax advantages of life insurance, you now have a superior wealth building and income producing investment vehicle.

'Missed Fortune' In A Nutshell

The 'Missed Fortune' concept is helping the more affluent prospects to understand the disadvantages of building up equity in their home and leaving it there. The basic premise is that your home will appreciate the same amount in value whether you have equity built up in the home or not. If this is true, and it is, then the equity you have built up in the home isn't growing. From a business or financial perspective does that make any sense?

Accordingly, if you could borrow out the equity in your home and make more than it's costing you, aren't you much better off? The 'Missed Fortune' book recommends you refinance your home to remove as much equity as you can. They recommend using an interest only mortgage loan, which in many cases would mean your total mortgage payment would be less than you are paying today. Then you invest your home equity into an 'Investment Grade Life Insurance Policy.'

A simplistic example:

If you have \$100,000 of equity in your home and you could borrow it out with a **4% interest only loan**, it would cost you about \$4,000 per year. If you can write-off the interest on your income taxes, then your net cost for the loan is about \$3,000 per year. In thirty years, your total after tax payments would equal \$90,000.

If you invest the \$100,000 into an investment grade life insurance policy and you earned 7.2% after expenses, in thirty years you would have \$800,000.

If you then paid off the original \$100,000 mortgage on the home, you would have \$700,000 left in the life insurance policy to generate a tax free income. In effect, you've spent \$90,000 to make \$700,000.

While there are some cautions and debatable mathematical inaccuracies in the book, the overall concept is very valid. And when done properly, the 'Missed Fortune' concept can help many

people to accumulate exceptional wealth. I highly recommend that you read the first five chapters of the 'Missed Fortune' book to fully understand the concept.

'Infinite Banking' In A Nut Shell

To understand the 'Infinite Banking' concept you must first understand how a bank works. Consider, everyday money flows from the 'world money pool' through our hands to meet our needs - but somewhere in the process it all ends up back into the banking system. It is all a matter of "how much of the banking function do you control as it relates to your needs." The 'Infinite Banking' concept is all about how to create your own banking system, so that you can control 100% of your needs.

Let me give you one little powerful example of how a bank works:

- You walk into a bank and borrow \$1,000,000.
- The bank borrows the money from the Federal Reserve at 3% and lends it to you at 9%
- How much does the bank make?
- The intuition tells us 6%
- That's not the whole truth!!
- If you bought a coffee mug for \$3 and sold it for \$9, how much did you make?
- Well \$6, but as a percentage you made 200%
- It gets even better, when the funds are repaid they can be lent out again at 9% and now there is no 3% cost basis associated with it.

Now what if:

- You could recapture all the money you paid for a car?
- You could recapture all the interest you paid on financing it?
- You could make the same profits as the banking institution that financed it?
- And you could do it all on a tax free basis!

How it works:

The 'Infinite Banking' concept is based on stock piling as much money as you possibly can, as quickly as you can, into an investment grade life insurance policy for say 5 years. The investment grade life insurance policy then becomes your own private bank. Now, whenever you need to make a large purchase you borrow the money from yourself and you pay yourself back the money and the interest you would have paid someone else.

A simplistic example:

For 5 years you pile everything you can into your own private bank. (\$1396.68 per month @7% after expenses) At the end of 5 years, you have \$100,000 sitting there earning 7.0% per year. Now you need to spend \$20,000 for a car. You have three basic options:

1. You could take the money out of your private bank and pay for the car. Your cost is \$20,000 plus the 7.0% of interest you lose each year on the \$20,000. (\$1,400 per year) **In five years you've spent a total of \$27,000.** ($\$1,400 \times 5 \text{ years} + 20,000 = \$27,000$) And, you still have \$20,000 less in your bank and you continue to lose \$1,400 per year. **In 5 years, the value of your \$80,000 account @7% has only grown to \$112,204.**
2. Or, you could take out a 5 year auto loan and pay 10% interest. The payment would be \$425

per month. **In 5 years, you would have paid out a total of \$25,500. In 5 years, the value of your \$100,000 account @7% has grown to \$140,255.**

3. Or, you could borrow the money from yourself and pay yourself monthly what you would have paid on the auto loan. **In 5 years, you would have paid into your account a total of \$25,500. In 5 years, the value of your account @7% (less the policy loan interest) has now grown to \$144,709.**

By using option #3 you are maximizing the growth of your savings... by making the same profits as a banking institution!

Even if you never saved any more money or borrowed from your account again, your \$144,709 @7% would grow to \$559,978.17 in 20 years.

The beauty of the 'Infinite Banking' concept is that you are helping prospects to see the value of putting a lot of money away in a very short time period... With No long term commitment... And, if they do this every five years they can accumulate millions, one piece at a time.

It works because of the unique advantages of life insurance and superior tax advantages:

1. The money grows tax deferred
2. Money can generally be withdrawn or borrowed tax free
3. There are no penalties for withdrawals prior to age 65

The problem with the 'Infinite Banking' is that you have to find the people with enough disposable income and the discipline to put large amounts of money away in a short time. I recommend reading the first few chapters of the book to understand the basic concepts.

'Leap' In A Nut Shell

LEAP is the acronym for "Lifetime Economic Acceleration Process." It is a trademarked method for selling cash value life insurance. The idea is to maximize the growth of your savings dollars by using cash value life insurance products. The concept uses the unique tax advantages of life insurance cash value accumulations to provide high tax-free retirement withdrawals. It's an extremely powerful sales concept.

Using the LEAP concepts, you can help prospects to reduce their income taxes dramatically over their lifetime, by providing tax strategies designed to simplify their financial life.

The LEAP concept explains and proves that many of the money strategies and products being advertised and promoted today may be hazardous to wealth creation and protection. The LEAP concept can provide you with more appropriate financial strategies and products tailored to your prospects individual needs, wants and desires.

A simplistic example:

Let's assume for a moment that your prospect is contributing 10% of their \$100,000 income into a 401k. The first 3% of the contribution is being matched by their employer. The Leap concept would recommend that they put the unmatched 7% of their 401k contributions (\$7,000)

into an 'Investment Grade Life Insurance Policy.'

Some of the distinct advantages of using life insurance are:

- They have tax deferred growth just like the 401k however, they can withdraw and/or borrow out their money TAX FREE prior to and during retirement.
- They have access to their money prior to age 59 1/2 for emergencies, college cost etc., without any early withdrawal penalties or income tax liabilities.
- Because withdrawals and loans from life insurance are tax free, they do not generate a 1099. So, they do not hurt a prospects eligibility for college financial aid for their children and during retirement they do not cause the taxation of social security.
- By adding the 'disability waiver of premium rider' life insurance is the only self-completing retirement plan.
- If the insured dies prematurely the family can be financially secure because with the death benefits they have the money the insured intended to accumulate during their lifetime.
- Because there is a required premium it forces the insured to 'Pay Themselves First.'
- It's based on the safe money concept and offers potentially 'low risk with high returns.'

In recent years, life insurance has become something that is perceived as a *necessary evil*, something that is only purchased if it is needed. If it is needed, the amount purchased is generally the minimum amount necessary. This is generally not consistent with the goals and ideals of successful people. Successful people do not focus on needs, they focus on wants. Successful people do not focus on minimums, they focus on maximums.

If you ask a successful person how much life insurance they would want, putting cost aside, they almost always say, the maximum I can obtain. Therefore, it is not life insurance that is the *evil*, it is the perceived cost that is the obstacle.

The 'Leap' concept helps prospects to see life insurance as something successful people want, something that is the heart and soul of their financial life. It is the foundation that unlocks the value of all their other assets. The 'Leap' concept helps prospects to obtain their life insurance for no additional outlay of money, therefore obtaining their wants without the burden of additional cost.

The Value Of the 'Found Money Management' System

The 'Found Money Management' System seeks to combine the best of all three of these hot new financial concepts for the forgotten segment of the population... average middle American families.

Until recently, middle American families weren't considered viable prospects for these new concepts by most financial advisors. Most middle American families are viewed as living from paycheck to paycheck. They aren't seen as having the disposable income necessary to implement these new concepts. Consequently, they are rarely approached.

Our '**cutting edge**' Found Money Management Concept is designed to show you how to help these middle American families to find the money to:

- **Reduce Or Eliminate Consumer Debt** - Families need real help to free up their

money, so they can start saving for their future.

- **Maximize The Amount They Can Invest From Current Income** - Families need your help to find the money to put into savings.
- **Guarantee The Safety Of Their Investment Principal** - With the recent losses in the stock market, most families recognize they can't afford to lose any more of their hard earned money.
- **Minimize Income Taxes** - Is there any question that income taxes can significantly reduce the amount of money available for savings...
- **Position Their Money To Provide Current Liquidity** - Families need to have access to their money, without penalties, prior to age 65, for college, emergencies and other family expenses.
- **Maximize Investment Income** - It's not how much money you've accumulated. It's how much income you have to spend. Tax Free provides more spendable retirement income than Tax Deferred!

There are considerably more advantages to these concepts, than just helping the more affluent prospects accumulate wealth. First, you can use the equity in a home to significantly reduce or eliminate all of a family's consumer debt. This would, in many circumstances, reduce their overall monthly expenditures freeing up money now, that they can now put away for their future.

A simplistic example:

Traditional Situation...

Value of Home \$250,000
20% down payment (\$50,000)
\$200,000, 30 year mortgage @ 6.0%
Monthly Payment = \$1199.10 P&I

Credit Card Debt \$5,000
Interest Rate 11%
Payment \$85 per month

Amount To Savings '0'

Total Monthly Payments = \$1,284.10

Results - In Only 9 Years...

Credit Card Paid Off, Balance = '\$0'
Value Of Home In 9 Years = \$325,000
Equity Built Up In Home = \$149,455
Down payment = \$50,000
Appreciation @ 3% inflation = \$75,000
Mortgage Principal Payments = \$24,455

Savings Accumulated = '\$0'

Net Worth = \$149,455

Interest Only Arm, No down Payment...

Value of Home \$250,000
\$250,000, Interest Only ARM @ 4.375%
Monthly Payment = \$911.46

Credit Card Debt \$5,000
Paid off

Amount To Savings
\$372.64 per month.
\$45,000 lump sum

Total Monthly Payments = \$1,284.10

Results - In Only 9 Years...

Credit Card Paid Off, Balance = '\$0'
Value Of Home In 9 Years = \$325,000
Equity Built Up In Home = \$75,000
Appreciation @ 3% inflation = \$75,000

Savings Accumulated @ 8% = \$150,981

Net Worth = \$225,981

In this simplistic example, without the family spending any additional money, we've significantly increased their net worth by over \$75,000. In 9 years, we see an incredible 50% improvement in their finances. And, that's just the beginning. It's just a matter of finding the money and managing their finances to their advantage.

By combining these concepts with the 'Found Money Management System', middle American families can achieve the financial security they've always dreamed of and never thought possible.

I recommend you review our 'Found Money Management' PowerPoint presentation in detail, to more fully understand the importance of these concepts and how they can help your client's and your personal financial situation. Plus, read 'Missed Fortune' and 'Infinite Banking.' It's a great opportunity to change your life and your career!

**Living Debt Free and Truly Wealthy Is Not Just A Dream...
You Can Make It A Reality!**