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Vantage Insurance Solutions

The Vantage **P**erpetual **W**ealth **F**inancing Strategy

Here's the hard truth: you may have been lied to. Or perhaps you were just given bad advice from some well-meaning insurance or financial services salesperson. We live in an era of financial services where the idea of "Buy term and invest the difference" is as trendy as a man bun and pumpkin spice lattes. More than any time in history, the financial services industry is guilty of the classic "do as I say and not as I do" maneuver. They say invest and save for the long term, tie up your money in accounts you can't touch without massive penalties and taxes. They say it's all about "interest rate" or "compound interest." Yet, upon close examination, you will find they do not practice what they preach (sell). I'm here to tell you, there's more to the story. There's wealth strategies you probably have never heard of, but have been in practice by the billions of dollars for over a century.

So let's talk about some popular strategies taught today...strategies that are keeping people poor (at many levels), in debt, and at the mercy of the stock market and taxation. The environment of miseducation and misleading sales tactics in the financial services industry, coupled with the complete lack of financial literacy among the vast majority of Americans, employees and business owners alike, has resulted in the modern-day slavery of endless debt and elusive wealth.

First, let's talk about interest rates. This is a classic example of how we can get mislead and end up with our heads in the sand about the real returns on our investments, and the real costs of our debt. Both the lending and investing camps of the financial services industry are guilty of misleading marketing and education. Here's what I want to propose to you: that the banks or lending institutions, and investment firms, are far more concerned with interest volume and "velocity," (or money in motion), than they are about rates.

Lending companies preach "its all about interest rate!" all day long. Out of the goodness of their hearts, they graciously notify you whenever they think they can "lower your rate" via an incredibly lucrative refinance. But, if you examine an amortization schedule, on a 30 year fixed mortgage at 4.5%, you discover that in the first 10 years, your actual interest volume paid is equal to almost 68%. Ouch. Add to that knowledge the reality that the average American, according to the National Association of Realtors, from 1985-2008, stayed almost exactly 6 years in their home. From 2008 - 2017, that number jumped to 9 years due to the lost values preventing sales and mobility. In that 6 year figure, the interest volume paid is over 71%. Add to those numbers the reality of frequent refinances to chase rates, and the numbers get even more depressing. Whenever you refinance or buy a new home, you reset that clock and continue paying that 70% actual interest rate. Sadly, many Americans will go most of their lives paying these astronomical fees and never truly grasping the reality of how much wealth they are giving away.

People love to talk about their "average rate of return" and brag about getting that impressive, and commonly thrown around, 12% "average". But, there's a difference between an "average" rate of return, and the actual rate of return the investor receives. This can be both a common misunderstanding, and a commonly used misleading sales tactic. Take the following example:

Let's suppose you begin with $1000 and invest it in a promising aggressive growth mutual fund. It produces the following over the next four years:

YEAR 1: +50% return = ending balance of $1500

YEAR 2: -33.33% return = ending balance of $1000 (roughly)

YEAR 3: +50% return = ending balance of $1500

YEAR 4: - 33.33% return = ending balance of $1000 (roughly)

Starting balance: $1000

Ending balance after four years: $1000

"Average" ROR(rate of return): 50-33+50-33 = 34 ÷ 4 years = 8.5%

This is what they can, and do, advertise or point out in order to induce a sale. What's the *actual compounded* rate of return? 0%. But it's actually not even that good. We forgot to subtract management fees...and taxes on the earnings from the good years. So you're actually looking at a loss, but the "math" shows an average ROR of 8.5%! I'm certainly not claiming that the stock market, on average, hasn't been able to deliver actual positive returns for investors, any honest student of the market and it's history knows that it has. I just want to shine light on the reality that, for all the risks you take, the potential gains are not as lucrative as some would lead us to believe, or as we might mistakenly surmise.

But what does all this have to do with "getting paid to finance your life"? We will get to that soon...but first, let's talk a little bit about buying stuff.

If you ask around, just about everyone agrees that there are pretty much two general ways to purchase anything in life (aside from barter): cash or credit. Either you take the time and discipline to save the dollars yourself and then pay for what you want, or you borrow someone else's money, at a cost. What you may not commonly hear about these two methods is, they are *both* forms of debt. Not so you say? Well, let's examine this briefly.

What are the characteristics of debt? To keep it simple, there are two primary elements that exist with having debt: 1. You have payments. 2. You have interest costs. What about paying cash? Where's element number 1? Well, let's suppose, for example, that you saved up $30,000 to buy a car. The exciting day came and you went to the dealership, picked out your beautiful new automobile, paid the cash, and drove home. How's that savings account looking now? Yep. Pretty empty. What must you do if you want to have $30,000 in your account again? That's right, make "payments" to your bank account in order to build it back up. So the next time you need to buy a another car, you will have the funds. This readily makes sense to most people and a few even already take it into account. The next characteristic of debt, the interest cost, is rarely considered. The interest cost involved in paying cash shows up in the form of what's known as "lost opportunity cost." Put simply, it's what all the money you just sent away forever could have earned for you, and the opportunities it could have afforded. For example, most of my clients earn a minimum of 4% guaranteed and tax-free on their money, forever. What's 4% compounded on $30,000 over the next 30 years turn out to be? Roughly $97,301.76. So, by paying cash at age 30, you just cost your 60-year-old self $67,301.76. Granted, paying cash is better than borrowing the money and paying interest on it for years, but it's certainly a very real cost.

Fortunately, this is not the end of the story! Aside from getting into very complex and creative financial strategies, there is a third, option. This is where the concept of owning your debt comes into play. It's a strategy that many wealthy people and companies in our country have been using for a very long time and it's what the folks in our office refer to as the "PWF" or "Perpetual Wealth Financing" strategy. What if I told you there was a product, when designed properly, has all the tax benefits of a Roth IRA, none of the restrictions, and pays a typical guaranteed interest rate of about 4%, plus dividends? According to the FDIC, Bank of America keeps the vast majority, over 20 Billion dollars, of their cash assets in this financial vehicle for the purposes of financing just about everything they buy. What is it? A specially designed whole life insurance policy. No other financial instrument has all of these characteristics, making it ideal for financing, wealth accumulation, wealth protection, and wealth transfer.

- Funds grow at an attractive guaranteed rate of return, regardless of market conditions.
- Funds remain 100% liquid and can be used at any time and for any reason
- Funds can be used to secure a loan of the insurance company's money, AND continue to earn full interest and dividends uninterrupted.
- Interest earnings grow and compound tax-free, can be accessed tax-free, and can be passed to heirs/beneficiaries 100% tax free.

The use of the Perpetual Wealth Financing strategy ties back to what we discussed earlier regarding velocity, or money in motion...except now you get to be on the receiving end of things. There are a variety of strategies for using whole life insurance to capture and manage cash flow, create massive financial windfalls, and shelter far more money from taxation that you thought possible. This money in motion creates more money, and each dollar can be put to work accomplishing what used to take 4 or 5 different dollars. In his best-selling book, Rich Dad, Poor Dad, Robert Kiyosaki explains how the primary difference between the rich, and the poor and middle class, is that the rich buy assets, and the rest buy liabilities. Whole life insurance is a true asset.

In conclusion, let's revisit the $30,000 car purchase as an example of one of the many ways to apply these principles. What if you did what the wealthy do, and "owned your debt"? Here's how that would play out:

1. You build up the cash reserves in your policy.
2. You take a policy loan to buy your $30,000 car.
3. Your $30,000 continues to grow and compound for the rest of your life, uninterrupted. It also contributes to the increasing death benefit for your heirs.
4. You make payments to your policy to pay off the loan you took, just like you would if you got a "regular" auto loan, and just like you would if you paid cash in order to reimburse your savings account.
5. You continue to build your warehouse of wealth and own all the financing in your life and, at minimum, recapture an average of 34% of your life's earnings, in addition to the interest earnings.
6. You enjoy the kind of freedom truly wealthy people enjoy because you took the time to learn some financial concepts, exercise a little discipline, and pay yourself first.

Congratulations. You deserve to go on a properly-funded vacation! It's NEVER too late or too early to start doing things smarter, whether you're already facing retirement, or have another 20-30 years. The bottom line is, a little financial education, and the proper application of some simple principles over time, can make a massive difference in the legacy you leave in your personal or business life.

About Luke Kibler: Luke Kibler is licensed in all lines of insurance products and services, and has held securities licenses series 6 and 63. He has completed 2 courses of the Certified Insurance Counselor (CIC) designation. With over 14 years of specialized training and experience in both personal and commercial insurance, banking, and investing industries, Luke brings a uniquely relevant perspective to the process of financial planning and the usage of insurance products for building and protecting wealth.