WHAT IS IBC?

YOUR FINANCIAL FUTURE
IS MORE ATTAINABLE THAN
YOU THINK

UNBRIDLED
WEALTH

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UNBRIDLED WEALTH

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The Infinite Banking Concept (IBC) is all about controlling the banking function in your life. What does that mean? Rather than depositing your funds with a bank that pays 0.2% interest and loans your dollars out at 5-25%. You deposit your free cash flow and liquidity into a specially designed permanent life insurance policy. This policy pays you dividends and grows even while you access funds to take advantage of investments or major life purchases.

Why Permanent Life Insurance as the Vehicle?

The advantages of using a permanent life insurance contract with a Mutual Insurance Carrier over any other available vehicles (Qualified Retirement Plans, Brokerage Accounts,Traditional Banks, HELOC's) is the amount of flexibility paired with extensive benefits, including, but not limited to:

- Liquidity & Control
- Guaranteed Returns
- Uncapped Dividend Potential
- Tax-Advantaged Gains
- Positive Arbitrage Potential
- Flexible Retirement Income
- Corporate or Personally Owned
- Creditor Protection Benefits
- Life Insurance Coverage
- Safeguard From Stock Market Volatility
- Uninterrupted Compounding Interest
- High Contribution Limits
- Long Term Care Benefits
- Terminal Illness Benefits
- Inflation Protection
- Transferability

Example Illustration

The policy structure and design is always customized based on **age, health, gender** and **goals.**

Here is an example of a 40 year old male in good health who wants early access to cash for investments. Assume a 10 year funding period where he can flexibly fund up to $30k per year.

This premium is intentionally structured to not be a Modified Endowment Contract (MEC), which means the gains grow tax-free while retaining high early Cash Value access. This is achieved by finding a specific ratio between what is called the Base Premium and the Paid-Up-Additions (PUAs). Agent's typically receive a 50% commission on the Base Premium and just a 2% commission on the PUA portion, so driving down the Base and increasing the PUA provides a more efficient structure for the policy holder.

In the case below, I'm showing an aggressive ratio of just 20% Base and 80% PUA. The Base Premium is the minimum annual premium payment due for the policy, whereas the PUAs are flexible and optional in how/when/if they are paid each year. In order to stop this illustration from being a MEC (taxable) and having the 20/80 Base - PUA split, a Term Rider was used and the cost of it is included in the total outlay.

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	TOTAL OUTLAY	CASH VALUE	DEATH BENEFIT
Year One:	$30,000	$24,000	$880,000
Year Five:	$150,000	$150,000	$1,270,000
Year Ten:	$300,000	$360,000	$1,750,000
Year Twenty:	$300,000	$600,000	$1,900,000
Year Thirty:	$300,000	$990,000	$2,140,000
Year Forty:	$300,000	$1,640,000	$2,560,000

While the assumed Rate of Return (ROR) may be lower than in other investment vehicles, the *true power of the IBC strategy is found in your ability to access cash and create* ***positive arbitrage*** *through your dollars working in two places at one time*. This should be considered alongside the value of liquidity for every family and corporation. Whether you use this as a standalone policy, or in conjunction with existing investments an IBC structured policy will provide superior returns to traditional savings accounts.

Access to Cash Value

The key to understanding IBC is the understanding of how you access your Cash Value. In a traditional bank you have to withdraw your funds, eliminating the ability to earn while you use your money. With IBC, you take policy loans using your cash value as collateral. Unlike traditional loans, though, there are little to *no repayment terms, no application or approvals, and no origination or administrative fees* - just a low interest rate.

Most notably, because your cash value is used as collateral, the cash value continues to grow uninterrupted. Additionally, when the borrowed money is used for business or investment purposes, the interest paid is tax deductible, yet the gains on the cash value are tax-deferred and often tax-free if the policy remains in-force until the insured's death. This Cash Value can be accessed via a Cash Value Line of Credit from a traditional bank or as a Policy Loan directly from the insurance carrier.

Positive Arbitrage - Syndication Example

Making some more assumptions, here is an example of utilizing this policy to enhance an investment and create positive arbitrage. Let’s assume in year 10, the policy owner stops making anymore premium payments and borrows $300,000 against his Cash Value at the current policy loan interest rate: 5%. He uses the $300,000 to invest in a real estate syndication that exits in year 7.

During this 7 year period, he makes interest-only (tax-deductible) payments annually on the $300,000 loan. After 7 years, the property is sold and he gets repaid the $300,000 principal balance plus an equity multiple. Not taking into account the Return on Investment (ROI) from rental income, appreciation and real estate tax benefits and still assuming a 6% dividend rate on the Whole Life Policy, here would be the total cash gain and positive arbitrage of the banking system (cash value):

Total Interest Paid Over 7 Years: $105,000
Tax Savings: $26,250 (25% tax bracket)
Total Cost of Capital: $78,750

Total Gain in Cash Value: $170,000
Total Tax on Cash Value Gain: $0
Total Positive Arbitrage: $91,250

Deferred Compensation for Retirement Income

This strategy can also provide a significant Deferred Compensation Benefit (when owned by a corporation) or Retirement Income Strategy (when personally owned). Using the example of a personally owned policy, this could provide an annual income during retirement years without exposure to market volatility or taxes due on this income.

Using the same policy design above, let's assume at age 70 the owner begins to take tax-deferred loans that they never intend to repay. Upon the owner's death, the death benefit will repay the entire loan and the net balance will be paid out to the beneficiary. Assume the owner wants to supplement retirement with a post-tax income of $80,000 per year during these years. Below would be the amounts received in retirement income and the amount left behind for their beneficiary based on the age at which the insured dies. We've also assumed the max loan interest rate is being charged (5%) and none of this is being used as a tax deduction (worst case scenario):

	Total Received by Owner	Total Received by Beneficiary
Age 80:	$800,000	$2,230,000
Age 85:	$1,200,000	$2,040,000
Age 90:	$1,600,000	$1,740,000
Age 95:	$2,000,000	$1,290,000
Age 100:	$2,400,000	$585,000

Other Uses of an IBC Whole Life Policy

More often than not, these policies are providing multiple benefits at one time and providing several possible uses. For example, if a policy is Corporate Owned it could have the following uses:

- Make a Line of Credit available for Key Employees for investments
- Key-Man policy on the insured
- Line of Credit for Partner transition/buy-out or succession planning
- Funding for Buy-Sell Agreement
- Deferred Comp plan for Key Employees or Partners
- Tax-Free growth for Retained Earnings
- Long Term Care funding for insured (through early access to death benefit)

This is why Policy Design is so vital as each policy is designed specifically for its intended purpose. All illustrations are created by taking into account age, health, gender and purpose.

Schedule a free IBC call with Jack at this link to unpack your specific situation and how this strategy can work for you.

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About Me

Jack grew up in rainy Bellevue, WA and beginning at the age of 5, he had a passion for numbers and stats. He would routinely wake up at 6:30am to pick up the newspaper and dissect the sports page. He continued in that passion attending University of Arizona and earning a finance degree in 2016.

Following graduation, he led a global mission's team in East Asia for two years, ministering to college students in a "small town" of 7 million. Upon return, he married his co-leader, Izzy. Early in 2020, he connected with Jonathan Wield and his current journey with Unbridled Wealth began. Despite having a finance degree and work experience at Morgan Stanley, Jack realized there was much that is hidden from everyday people in the world of personal finance. Specifically, the power of the Infinite Banking Concept (IBC).

A teacher at heart, Jack loves bringing clarity and transparency to the topic of money and helping people see the big picture of their finances. He's trusted by 60+ families with the mission of helping his clients grow in financial knowledge and confidence so they can control and steward their wealth for impact and enjoyment. He now lives in Denver, CO with his wife Izzy, Penelope (4), Malachi (1.5) and dog Phoebe. Some of his favorite things are going on walks with his family, F3 workouts, reading, bird-hunting and leading the youth at his church.

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