



# Off The Financial Grid

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## Creating Your Own Banking System The Infinite Banking Concept

Living off the financial grid, like living off the energy grid, is to be free and independent of a system – in this case, the banking system. It is possible to create our own bank and pay ourselves the interest we would normally pay someone else.

How much interest are you paying out right now for your car, your home and other purchases? It's estimated that the average American family pays almost 35% in after tax dollars in interest payments. What if there was a way to keep that money for ourselves? Well there is – using dividend paying whole life insurance.

With dividend paying whole life insurance, the cash paid into the policy is available for the owner to borrow. The cash accumulates from: policy premiums, any additional cash that is deposited into the policy and the dividends the company pays back to the policy. The insurance company allows the owner to borrow all of the available funds at a very low interest rate yet still continues to pay a dividend on any unused funds in the account. Oftentimes the dividend and interest rate wash, resulting in a net zero interest rate on the borrowed funds. If the loan is repaid at the same rate that a conventional bank would have charged, the money in the whole life policy continues to grow and more loans can be made. In essence, we have now created our own bank! The interest we would have paid to someone else is now being paid back to us.

How does using our own bank compare to other types of financing when buying, let's say, a car. There are generally four ways to buy a car:

- Leasing
- Bank Financing
- Paying Cash
- Financing Using Dividend Paying Whole Life Insurance

**Leasing:** This is the most expensive way to buy a car. There is no equity position, no ownership of any kind. I equate it to paying rent.

**Bank Financing:** For the first 3 years of a 5 year loan, most of the payment is interest. Expect to spend an additional \$3000-\$5000 to finance it over the initial purchase price. Expect it to take the full 5 years to pay off, unless additional cash is used to pay down the principle.

**Paying Cash:** This requires a capitalization period. Putting aside \$400 a month to buy a \$20,000 car will take four years and a great amount of discipline to be consistent. Also, remember our friend inflation. How much more will that car cost to purchase four years from now? Even if the money is being saved in an interest bearing account, it may not be enough to cover inflation. And paying cash has a hidden cost few consider. How much could that money have earned if well invested? 7%, 10% 20%? We call this the cost of lost opportunity and it can be devastating to wealth accumulation.

**Finance Using Dividend Whole Life Insurance:** This method also requires a capitalization period of 1-3 years, depending on the premium amount and if additional deposits were made. The interest due on the policy loan is being offset by the annual dividend so the actual interest paid is very, very low. There is no repayment schedule associated with this type of loan – anything outstanding at the time of death can be deducted from the death benefit. (But to keep the “bank” in operation, it should be paid back with the same amount of interest any other bank would charge. This keeps the account growing with more money available for more lending). And you get the added benefit of negotiating with the dealership in cash!

What are the positive financial effects of creating our own banking system through the whole life policies?

- Recapture the interest back to yourself that you would normally pay someone else
- The policy grows tax deferred
- You’re not spending valuable cash – it is available to be invested
- You are combining a financing system with an investment system and the two together will always outperform an investing system alone

In short, we finance everything – either by paying interest to someone else or by paying cash and giving up the interest we could have earned elsewhere.

By using the whole life policies in this way, also known as “The Infinite Banking Concept”, we are taking an important step to getting “Off The Financial Grid” for good.