How Bank On Yourself Whole Life Insurance Policy Loans Work

There is *no* other financial vehicle that comes even close to giving you all the advantages of a whole life insurance policy loan, which is why some people say it may well be the eighth wonder of the world. It's also misunderstood by many people – including many financial advisors.

So we've put together the answers to **the 10 most frequently asked questions about whole life insurance policy loans** and explained the benefits of this feature in easy-to-understand terms. If you're already a Bank On Yourself policy holder, you can use this as a helpful Consumer Guide to Policy Loans:

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1) What is a whole life insurance policy loan?

One of the great "living benefits" of a whole life insurance policy is that you build up cash value which you can access as needed – for emergencies, to make major purchases like cars and vacations, for a college education, business expenses and/or to fund your retirement.

You are actually borrowing *against* your cash value and using your cash value and death benefit of the policy as collateral for the loans. If you don't pay your loans back, they will be deducted from the death benefit (along with any interest due) before the company pays out the claim.

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2) How much and when can you borrow from your policy?

You have the option of borrowing up to 85-90% of your cash value through one or more policy loans at *any* time… and for *any* reason. The *only* questions you'll be asked are how much do you want and where do you want it sent?

You are contractually guaranteed to be first in line to get access to your cash value and you *can't* be turned down for a loan! You don't need to fill out any nosey credit apps or pledge your first born.

Unlike the whole life insurance policies Suze Orman, Dave Ramsey and most advisors talk about (www.bankonyourself.com/suze-orman-and-dave-ramsey-lets-debate.html) that generally have *no* cash value in the first year or two, a *properly-designed* Bank On Yourself-type policy *will have cash value in the first month.*

Our general recommendation is not to plan on taking a policy loan in the first year, though that option *is* available to you.

The ways you can use a policy loan are limited only by your imagination!

Check out the Bank On Yourself reviews (www.bankonyourself.com/bank-on-yourself-reviews) where policyowners of *all* ages, incomes and backgrounds discuss how they've used their policy loans. Of course many people use them to finance things like cars, vacations, college educations and business expenses. But they've also used them in some very creative ways and to take advantage of the opportunities that invariably come up, such as:

- ✓ To cover living expenses after losing a job
- ✓ To pay the expenses of adopting a new baby on very short notice
- ✓ To buy a prize-winning racehorse
- ✓ To help raise $100,000 for their church

- ✓ Grammy-nominated singer Karyn White took a policy loan (www.bankonyourself.com/singer-karyn-white-seizes-the-day-with-bank-on-yourself.html) to produce her new album and pocket the profits the record producers *used* to make off of her
- ✓ A photographer used it to buy an expensive machine that prints photos on chocolate

Of course, it's important to be aware that having equity in your policy does *not* give you a license to spend more than you make or more than you can afford!

What dreams could Bank On Yourself help *you* finance?

If you don't already use the Bank On Yourself method (www.bankonyourself.com) what *are you waiting for?* It's easy to find out how Bank On Yourself can make *your* long-term and short-term goals and dreams come true when you request a FREE, no-obligation Analysis (www.bankonyourself.com/analysis-request-form).

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3) Do you pay interest on policy loans and who benefits from that interest?

You do pay interest on your policy loans – typically at below-market, competitive rates. If you don't pay the loan interest, which is due the end of each policy year, the company will automatically add the interest to your loan balance.

It's a good idea to at least pay the annual interest due on your policy loan out of your pocket each year to keep your loan from increasing (unless you are taking retirement income). And be aware that excess unpaid policy loans may cause a policy to lapse with potential tax consequences.

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4) Do you have to pay your policy loans back and what are the repayment terms?

There is no requirement to pay back your policy loans. But think of it this way: If you borrow money from a bank and don't pay it back, you're stealing from the bank. If you borrow from your life insurance policy – which is like borrowing from *yourself* - and you don't pay it back, you're stealing from *yourself!*

One comment we often hear from Bank On Yourself policyowners is about how much they now ENJOY paying back their loans, since they can see how it builds their plan back up, rather than lining the pockets of banks and finance companies!

But the reality is that "stuff happens." And when it does, you can reduce or skip some payments and not have to worry about collection calls, black marks on your credit report and so on. Knowing you have that flexibility brings great peace of mind, as many people who use the Bank on Yourself method have noted. (www.bankonyourself.com/bank-on-yourself-reviews)

We recommend you set up a loan repayment plan at the *same* time you take a policy loan – with the payments automatically coming out of your checking account each month.

Your Bank On Yourself Authorized Advisor (www.bankonyourself.com/authorized-advisors) can help you create a repayment schedule that meets your needs and set up the automatic loan repayments.

Note: Excess unpaid policy loans can cause a policy to lapse with potential tax consequences. So work closely with your Bank On Yourself advisor to make sure you avoid this happening.

Learn how to find a Bank On Yourself Authorized Advisor (www.bankonyourself.com/how-to-find-a-bank-on-yourself-authorized-advisor) who can help you set-up and use your plan to maximize growth and minimize any taxes.

5) How is it possible for your policy to continue growing even on the money you've borrowed from it?

When you borrow from your policy, the money doesn't actually come directly from *your* policy. It comes from the company's **general fund**, because all the cash value of all the policies is pooled together.

It works the same way in the opposite direction: the payments you make on your loans don't go back directly into your policy; they go where they came from – back into the company's general fund.

The company applies your payments of principal to reduce your loan balance. Then, at the end of each year, the company looks at their income from *all* sources, including the loan interest you paid, and they look at their expenses and the death claims they paid out.

If their results are better than the worst-case scenario they projected, they pay a dividend to all the policy owners – assuming it's a dividend-paying company, which is what the Bank on Yourself Authorized Advisors use. Learn where to find a Bank On Yourself Authorized Advisor (www.bankonyourself.com/how-to-find-a-bank-on-yourself-authorized-advisor) who knows which companies have policies with ALL the features required to maximize the power of this concept.

If you are the policy owner, you ultimately get the benefit of the interest you pay through a combination of guaranteed annual increases, plus any dividends the company pays. Which means both the principal and interest you pay ultimately end up in your Bank On Yourself policy for you to use again – for a car, vacation, business equipment, a college education, retirement… or whatever you want.

Key Concept: If you pay your loans back at the interest rate the company charges, **you will end up with the exact same cash value as you would if you *didn't* use your plan to finance things!** For example, let's say your policy is projected to have $400,000 of cash value in year 25, if you *don't* use it to finance anything. But let's say you decided to borrow $30,000 in the fifth year to buy a car and then you pay it back at the interest rate the company charges over the next five years. And then you repeat that cycle 3 more times. At the end of 25 years, your cash value would be… $400,000 – *the same as if you didn't use it to finance anything.*

NOTE: This assumes your policy is from one of the handful of the insurance companies that offer this feature, which is one reason to be working with one of the 200 Bank On Yourself Authorized Advisors.

To get a referral to one of the Bank On Yourself Authorized Advisors and a free Analysis showing the bottom line results you could get with Bank on Yourself, request a free Analysis here. (www.bankonyourself.com/analysis-request-form)

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6) Will your policy's cash value grow faster if you don't take a loan?

If your policy is from one of the companies that offer this feature, if you borrow from your policy and pay it back at the interest rate the company charges, you'll end up with the exact same cash value you have if you didn't use your plan to finance the item.

CAUTION: Your policy *must* be from one of the handful of companies that offer "non-direct recognition" policy loans – only these companies pay you the same dividend *regardless* of whether or not you have any policy loans, which is another reason to work with a Bank On Yourself Authorized Advisor.

The only way you would come out *ahead* is if you didn't buy that item at all.

Here's why: If we're going to compare apples to apples, we have to assume you were *going* to buy that item one way or another. Let's assume that item is a $30,000 car. If you directly paid cash for it from a savings or money market account, after you withdraw the $30,000 to buy the car, how much interest would you then be earning on that $30,000?

Absolutely ZERO! And you'll only start earning interest again *slowly* as you make payments back into the account.

Key Concept: It's very important to understand that you finance EVERYTHING you buy – because you either PAY interest to finance or lease things… or you LOSE the interest and investment income *could* have earned if you'd keep your money invested instead.

But when you run the purchase through a "non-direct recognition" Bank On Yourself-type policy, you continue to earn the **exact same annual guaranteed cash value increase**, and the **same exact dividend**, as though you never touched a penny of it.

The average family could increase their lifetime wealth by *hundreds of thousands of dollars* – just by financing their cars and vacations through a Bank on Yourself policy – *without* taking on the risk of stocks, real estate and other volatile investments. To find out how much bigger *your* nest-egg could grow if you added Bank On Yourself to your financial plan, request your FREE Analysis today (www.bankonyourself.com/analysis-request-form). You'll also get a referral to one of the 200 advisors in the country who have met the rigorous requirements to be a Bank On Yourself Authorized Advisor.

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7) If you can get a lower interest rate from a finance company than the insurance company charges, should you do that instead?

An excellent question. If you can *truly* get a lower rate than the company charges, then you may choose to take advantage of that and put the interest you save into your Bank On Yourself policy. But there are two important caveats:

Caveat 1: You should ONLY do this if you have enough cash value in your policy to transfer the loan to the policy if you hit a rough patch financially. Then *you* would be in control of the repayment schedule, and won't have to worry about collection calls, repossession or having your credit report ruined.

Caveat 2: In many – if not most – cases, those low interest rate offers are NOT what they appear to be. There's no such thing as a free lunch! The low rate is usually i*nstead* of giving you a discount or rebate. So, *always* bargain hard to get an amount equal to the interest savings knocked off the price of the item.

And finally, as Mark Twain noted…

> *"A banker is a fellow who loans you his umbrella when the sun is shining, but wants it back the minute it begins to rain."*

Think about this for a moment… Do you love banks? Have they been doing you a lot of favors? If not, why continue to play the game by *their* rules, just to shave a couple points off your interest rate? Why not *fire* your banker once and for all, become your *own* source of financing and *take back control of your financial future?*

Take the first step *today* by requesting your FREE, no-obligation Analysis! (www.bankonyourself.com/analysis-request-form)

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8) How does financing purchases through policy loans compare with putting money aside in a savings or money market account and then paying cash for those items?

A properly designed dividend paying whole life policy gives you many advantages a savings or money market account or CD does not, including:

- ✓ The return is typically higher than you can get in a savings or money market account or CD
- ✓ Life insurance companies are far more regulated than savings banks and enjoy a multi-layer safety net

- ✓ You can borrow against your cash value in the policy and continue to earn the same guaranteed annual cash value increase plus any dividends the company pays as though the money was still in your policy. You can also pay your loans back on your own schedule, not someone else's
- ✓ You'll instantly have a death benefit that could be many times greater than the value of your equity for financial peace of mind for your loved ones
- ✓ You can access your principal and growth with no taxes due under current tax law
- ✓ There are asset protection advantages to life insurance (check with a professional for the rules in your state)

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9) How does taking a loan from a 401(k) compare with borrowing from your policy?

First of all, there are strict and fairly low limits on how much you can borrow from your 401(k). And one of the 15 largest companies in the U.S. *stopped allowing their employees to take 401(k) loans.*

Why? Because they CAN! (And you thought it was *your* money, right?)

There are also rules on when and how you must pay your 401(k) loans back. If you are unable to meet these rules, you must pay penalties and taxes. And 401(k) loan defaults have been on the rise.

And if you lose or change your job for *any* reason, you typically must pay your 401(k) loans back, plus all interest due, within 30-60 days. *If you don't, you'll have to pay penalties and taxes!*

And you thought it was *your* money!

Think again! The government and your employer set the rules and terms of when and how you can use the money in your plan. And they can – and *do* – change these rules whenever they want.

You will also have to liquidate your investments or assets in order to take a 401(k) loan. Which too often means selling at precisely the *worst* time.

On the plus side, you do pay interest on 401(k) loans, and, just like insurance policy loans, that interest benefits you. But, as you can see, putting your money in a 401(k) is like putting it in jail!

Find out how much more wealth, control and financial peace of mind you could have if you added Bank On Yourself to your financial plan when you request your FREE no-obligation Analysis. (www.bankonyourself.com/analysis-request-form)

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10) If you're taking policy loans for retirement income, do you have to pay them back? If not, how does the interest that accumulates affect your policy?

There is no requirement for you to pay back your policy loans and the interest will continue to accumulate and can be paid from the policy values, if you choose.

HOW MUCH BIGGER COULD YOUR NEST-EGG GROW WHEN YOU BECOME YOUR OWN FINANCING SOURCE?

Want to find out how much more money you could have (guaranteed) when you fire your banker and become your own source of financing? Request your FREE Analysis now and find out! (www.bankonyourself.com/analysis-request-form)