

Amplifying Real Estate Returns Using the Infinite Banking Concept



A Special Real Estate Report

for HOW DID THEY DO IT? Podcast Listeners

Author: Mark Hutchinson

livingbenefits@mail.com

www.livingbenefits-life.com

Welcome, listeners of HOW DID THEY DO IT? Thank you for tuning in to the podcast and for taking the initiative to download this special report, a case study of my client Charles.

As discussed on the podcast with Seyla, there are numerous benefits to implementing the Infinite Banking Concept (IBC) concept into your personal and real estate finances, but first let me give you some background.

Eleven years ago, I opened the mailbox and pulled out my monthly stock picking newsletter expecting to see their latest pick – instead they teased something they called “Income for Life.”

That day would prove to be a defining day in my life!

I read the multi-page report with a healthy dose of skepticism, but was captivated by the concepts outlined which promised to improve my financial position over time.

Fast forward to today, and fully 30-40% of my income flows into this concept.

It’s now the base layer of our family’s wealth pyramid, sitting as the foundation upon which we build all other aspects of wealth – from real estate and syndicated investments to college funding, privatized banking and even capital for occasional investing in equities.

This approach allows us to control our risk profile effectively.

The beauty of the IBC Concept lies in its scalability. You have the flexibility to establish your bank gradually over years or rapidly, even as quickly as 30 days after funding, provided you have sufficient capital and income/assets to support the high death benefits required for large first-year funding.

Let's take a look at a real-world case study. Charles has been a client for years; he is from a real estate family.

He bought a small single-family income property using a loan from his Whole Life Insurance policy, but prior to that he had used cash or a blend of cash and bank financing.

For this case study of his real estate purchase we will refer to Charles as the "Old Charles" and the "New Charles," and map out his past and present strategies to uncover inefficiencies in his old ways.

Charles started his IBC policy small, \$5K/YR and built his policy cash value year-by-year through his regular scheduled premiums and additional cash chunks when he had them. In his 8th policy year, he found an opportunity.

To keep things simple to understand let's use consistent categories across all of the examples so we can uncover advantages or disadvantages.

All cash flow after debt service treatment remains consistent across all examples and all three will methods of purchase will have a 3% property appreciation typical in the general real estate market.

The Old Charles – All Cash Buyer:

Old Charles made small real estate purchases using either all cash, or cash from savings and bank debt. When Charles buys all cash, he has no debt service on the property which provides additional cash flow he wouldn't have if he had financed the deal with a bank.

But there is a problem, by using cash, Charles gives up the interest he would have earned from his bank. Now his capital sits as equity. And unfortunately, all equity earns a rate of return of zero!



Own Cash – saved or asset sold

	CASH
Beginning Cash Value	N/A
Purchase Price (Cash Deployed): \$60,000	\$60,000
10 Year Mortgage Interest Cost at 6.75% (\$2,267/YR)	N/A
3% Property Appreciation – 10 Years	\$20,961
Loan Cost Cash Flow Delta \$2,267/YR	\$22,674
Net Cash Flow After Debt Service	Equal
Ending Policy Cash Value	N/A
	\$103,635
	Plus... Tax benefits

Looking at the “Own Cash” chart, you can see the net financial impact of the purchase is \$103,635 in addition to any cash flow after debt service.

This isn’t necessarily a bad situation for Charles, but there are inefficiencies that can be remedied.

The Old Charles – The Traditional Bank Financing Buyer:

When the Old Charles used bank financing, the most common way of purchasing real estate in the US, he unknowingly incurred lost opportunity.

If Charles used bank financing for the single-family purchase, he would incur borrowing costs of \$22,674 for the \$60,000 loan. We arrive at that number calculating a 6.75% mortgage with a 10-year amortization.



Bank Financing

	TRADITIONAL BANK FINANCING
Beginning Cash Value	N/A
Purchase Price (Equity Recaptured): \$60,000	\$60,000
10 Year Mortgage Interest Cost at 6.75% (\$2,267/YR)	(\$22,674)
3% Property Appreciation – 10 Years	\$20,961
Loan Cost Cash Flow Delta \$2,267/YR	N/A
Net Cash Flow After Debt Service	Equal
Ending Policy Cash Value	N/A
	\$58,287
	Plus... Tax benefits

Examining the “Bank Financing” chart, we see a net impact of \$58,287 in addition to any cash flow after debt service, similar to when he purchased all cash.

The problem with this method is the debt service cost. If Charles chose all cash he would be in a better financial position.

We can all agree that the way to scale your real estate portfolio is with debt – using other people’s money – or OPM as we say. Old Charles recognized that this was his preferred method but he needed to make one significant change to amplify his results.

The New Charles – The IBC Buyer:

When Charles and I met in 2014 he had a small real estate portfolio and he was illiquid. He didn't have the capital to aggressively fund an insurance policy.

What Charles did have was a good understanding of how the IBC concept could change his outcome, and the patience to execute a long-term plan.

At the time of the real estate purchase Charles had enough cash value to secure a loan from the insurance company for the full \$60,000, and still had some rainy-day money. The insurance company used his cash value as the collateral for the loan.

Using a policy loan Charles incurred total borrowing costs of \$8,976. Compare this to the bank lending option where borrowing costs would total \$22,674. Since Charles has lower overall loan costs from the insurance company, he has a \$13,698 gain in cash flow.

You may be wondering how the policy loan and a 6.75% loan from his bank can produce such different results?

The explanation is straightforward: first, the interest rate the insurance company charges Charles is a fixed 5%, second, the monthly payments he makes to the insurance company go directly to principal reduction. This is unlike his bank where payments cover both interest and principal. Insurance companies assess interest at the policy anniversary each year, not during the year.

The reason for this treatment of interest cost is due to there being no loan repayment provision in a life insurance contract. You actually are never required to pay it back, let alone structure a repayment plan. Unpaid insurance policy loans, and any accrued interest due are repaid when the death benefit is paid.

Try that with your bank!

Since Charles is acting as a responsible banker and reducing the principal balance each month with principal payments, he reduces his daily outstanding balance, resulting in an ever-shrinking amount subject to daily interest charges.

This creates a fast paydown – 7 years in this case, saving him \$13,698 of interest.

When Charles took the loan in 2021, he had an initial cash value of \$97,995, which will grow throughout the 10-year term (due to a guaranteed return and dividends even with a loan out) to a remarkable \$155,772 for a net gain of \$57,777. This occurred without any premium payments into the policy, and with a loan outstanding!

There is no other financial instrument Charles can use to replicate the results he will receive in his insurance policy's cash value. You see, while he conducts business as usual his cash value earns an uninterrupted compounded return...forever!

Why? Because he borrowed the insurance company's money, not his own!

Insurance Policy Loan	
	POLICY LOAN
Beginning Cash Value	\$97,995
Purchase Price (Cash Recaptured): \$60,000	\$60,000
10 Year Mortgage Interest Cost at 6.75% (\$2,267/YR)	(\$8,976)
3% Property Appreciation – 10 Years	\$20,961
Loan Cost Cash Flow Delta \$2,267/YR	\$13,698
Net Cash Flow After Debt Service	Equal
Ending Policy Cash Value	\$155,772
	\$143,460
	Plus...
	Tax benefits, death benefit, asset protection, privacy, repayment flexibility and control

Reviewing the “Insurance Policy Loan” chart, you can see the net financial impact to Charles is \$143,460, in addition to any cash flow after debt service.

In addition to the improved financial condition Charles benefits from various advantages inherent in permanent life insurance.

We call these “living benefits.”

These benefits include:

- Guaranteed tax-deferred compounded growth.
- Asset protection.
- Tax-free distribution and death benefit protection.
- Loan repayment flexibility if needed.
- And other valuable features like privacy and safe harbor.

These additional benefits contribute to the overall financial advantage of incorporating a perfectly structured whole life insurance policy into your wealth-building strategy.

Side-by-Side Comparisons:

The chart below presents a side-by-side comparison of the purchase and financing methods outlined in this case study.

The wealth-building capability of incorporating the IBC strategy into your real estate portfolio is undeniable.

Recapping the 10-Year life cycle of Charles' \$60,000 real estate loan utilizing different funding sources

	CASH	TRADITIONAL BANK FINANCING	POLICY LOAN
Beginning Cash Value	N/A	N/A	\$97,995
Purchase Price (Cash Deployed): \$60,000	\$60,000	\$60,000	\$60,000
10 Year Mortgage Interest Cost at 6.75% (\$2,267/YR)	N/A	(\$22,674)	(\$8,976)
3% Property Appreciation - 10 Years	\$20,961	\$20,961	\$20,961
Loan Cost Cash Flow Delta \$2,267/YR	\$22,674	N/A	\$13,698
Net Cash Flow After Debt Service	Equal	Equal	Equal
Ending Policy Cash Value	N/A	N/A	\$155,772
FINANCIAL IMPACT:	\$103,635	\$58,287	\$143,460
	Plus... Tax benefits	Plus... Tax benefits	Plus... Tax benefits, death benefit, asset protection, privacy, repayment flexibility and control

When Charles bank financed, he received the poorest results. Sadly, this is the most common method of real estate financing in America today.

Unlike equity trapped in a property, which generates zero returns, the equity in your insurance policy grows at a compounded rate of over 4%. Think of an insurance loan like a cash-back credit card - you pay 5% on your purchase and they give you back 4%!

There's no other financial vehicle that offers uninterrupted compounding and the living benefits associated with dividend-paying whole life insurance.

Are you ready to grow your real estate portfolio, create tax-free passive income, and achieve financial independence sooner?

If you want to take a deeper dive in this case study and see how this will potentially play out for Charles over the next 20 years, I am happy to share.

Schedule a free 30-minute exploratory call with me to discover how the IBC concept can unlock your unique wealth potential, regardless of your financial means.

Visit my homepage at www.livingbenefits-life.com and click on my Calendly calendar to book your call. I look forward to connecting with you!

Additional IBC Resources:

Please Read Becoming Your Own Banker by R. Nelson Nash

<https://infinitebanking.org/product/becoming-your-own-banker/ref/107/>

Please Read Financial Independence in the 21st Century by Dwayne & Suzanne Burnell

<https://infinitebanking.org/product/financial-independence-in-the-21st-century-2/ref/107/>

Glossary:

PUA Rider: (Paid-Up Additions rider) allows you to add extra cash value to your whole life insurance policy over time, essentially creating "mini insurance policies" within your main policy.

Cash Value: Cash value in life insurance is the accumulated amount you can access or borrow against, like a savings account within your policy.

Policy Loan: A policy loan is borrowing against your own cash value in a life insurance policy, using it as collateral, without mandatory repayment and offering tax benefits and potential interest savings.

Death Benefit: In life insurance, the death benefit is a tax-free lump sum paid to your beneficiaries upon your passing, providing financial security for loved ones.