LEARN HOW TO CREATE YOUR OWN FAMILY BANK

AND BUILD WEALTH OUTSIDE OF WALL STREET

The Family Bank Strategy

BROGAN
WEALTH STRATEGIES

THE FAMILY BANK STRATEGY

Creating a Family Bank is a strategy for managing cash-flows. In short, it is the optimal way to save and use your money at the exact same time.

The purpose of the Family Bank Strategy is to recapture the interest currently being paid to banks and finance companies for the things of life. This is done primarily by taking control of the banking function of your household or business.

When implemented, this process allows one to profit off the flow of money in their life while eliminating dependence on traditional lending institutions.

To be clear, this strategy is not about investing, but rather solving one's need for financing throughout life – including financing investments.

The capital warehoused in your 'Family Bank' will be safe, liquid and under your control, allowing you access to your money without restrictions, penalties or taxes. More powerfully, giving you the ability to use your wealth today, without forfeiting the future growth on your savings.

> **"More powerfully, giving you the ability to use your wealth today without forfeiting the growth on your savings."**

The Family Bank is an "AND Asset."

This is because the Family Bank is what we call the "AND Asset." You do not need to choose between this strategy and the financial activities in which you are participating. Rather it is the best way to save and use your money at the exact same time.

This concept, while often not discussed in the financial mainstream, is a recognized staple of banks, corporations and is currently being implemented by the wealthiest in our country today.

It has been around for well over 100 years, having been used by the likes of Walt Disney, J.C. Penny, Ray Kroc and John McCain among many others. Dynasty families like the Rockefellers and Kennedys have built and expanded their wealth using these tools. Bank of America currently has over $20 Billion in these type of assets.

There are three foundational principles to Family Banking this booklet will discuss, which include the following:

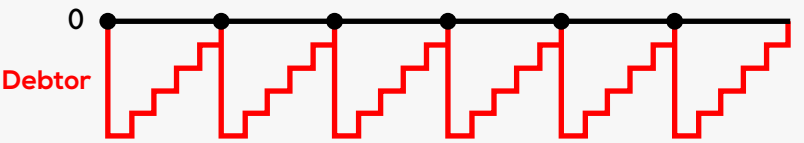
1. **Uninterrupted Compounding**
   - How to use your money today without stunting its growth.
2. **Controlling Your Capital**
   - By eliminating restrictions, penalties and taxes.
3. **The Ideal Financial Tool**
   - From which to build and deploy capital .

1.) Uninterrupted Compounding

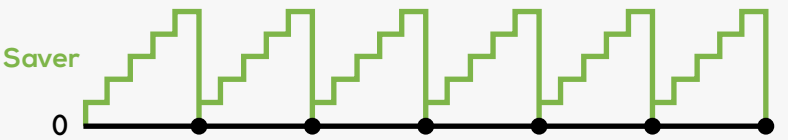
If the primary purpose of building a Family Bank is to profit off the flow of money in your life, it is vital to have a system in place to use your money today without interrupting its ability to compound into the future.

When it comes to using money, families can be divided into three groups based on how they finance major purchases and investments: we call them Debtors, Savers and Wealth Creators.

Debtors - use up their money to fund their lifestyle and if a necessary major purchase or investment opportunity arises, they borrow someone else's money. Debtors must make principle and interest payments, on the lenders terms, until the debt is paid off. When the next financial need arises they repeat the process, always paying interest to someone else for the use of their money while working back to the zero line.



Savers - store up capital with the hopes of eliminating their need to pay interest to someone else. When a financial need arises, they simply spend to cover the expense from their savings. In doing so they liquidate their savings and transfer their wealth away from their family, returning themselves back to the zero line. Savers avoid paying interest to someone else but they also do not receive interest they could have otherwise earned had they not spent their money.

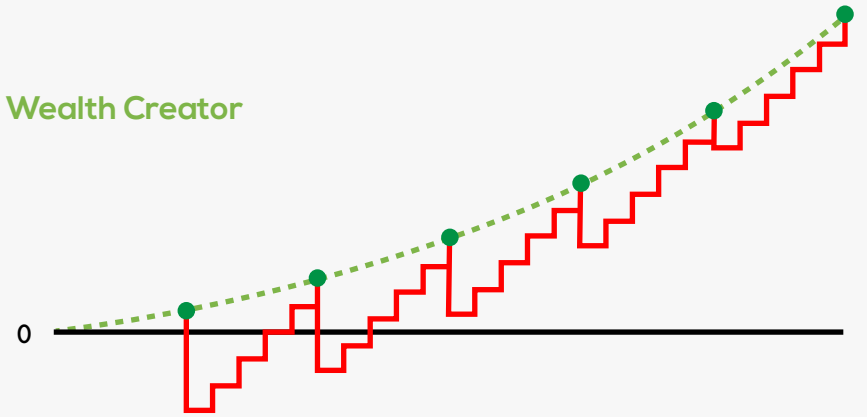


Each time you deplete your savings you stop earning interest and must start the compounding process over again. Savers neglect the principle of opportunity cost – the difference between what you could have had and what you end up with due to spending money today.

Savers borrow from their future by liquidating their savings and never earning interest on that money again. They often believe they are saving interest by using their own money, but in reality they forfeit interest they could have earned had they known a better way – and there is a better way.

Wealth Creators - begin just like the saver, saving in steps, but in an account earning compounding interest. When a need or opportunity arises, they understand the impact of spending their own money and choose to not reset the compounding of their wealth.

Instead of liquidating their savings, Wealth Creators borrow the needed control of their family funds, using their saved money as collateral. This way their saved capital never leaves the family, and therefore continues to compound without interruption. As they repay the borrowed funds, they end up in a higher place each and every time.



It must be understood, you finance everything you buy. You either pay interest to someone else when using their money, or you forfeit interest you could have earned when paying cash. Either way there is an interest cost.

Using a financing strategy which allows this compounding process to continue even while you make purchases is vital to wealth creation. Since cash purchases and traditional financing are common, what is often unknown is you can keep your money growing into the future, even while using it today.

To illustrate this principle, let us assume your family is in the market to purchase a new automobile and the desired vehicle costs $30,000. What are your financing options in purchasing this vehicle?

OPTION 1 - DEBT/LOAN

You could use a traditional bank loan and you find an offer for a 5% amortized interest rate. Over the course of five years you would be required to make monthly payments of $566, paying the bank $3,968 of interest above the principal to pay off the car.

OPTION 2 - PAY CASH

If you were a Saver and saved up $30,000, you could pay cash and avoid the $3,986 of interest payments to the bank. However, to do so you must liquidate your savings and that money can never grow for you for the rest of your life. How much would that cost?

Say your money was in an account earning a compounding rate of 5%. Paying cash would require you to forfeit $8,501 of interest you could have earned over five years had you not spent the money on the car.

Keep in mind, we are only illustrating a five year period – the opportunity cost compounds forever – and that can get expensive!

A Wealth Creator understands the importance of building capital and never losing the forward momentum of their wealth.

OPTION 3 - COMBINE SAVING & BORROWING

If you have $30,000 saved you also have the option of leveraging your capital. Instead of interrupting the compounding growth of your money by paying cash, you could use your savings as collateral. In doing so, your wealth continues to compound without interruption as you use another financial institution's money to purchase the automobile.

Using the same interest rates, the Wealth Creator will pay $3,968 to an outside financial institution for the use of their money, but does so happily in order to earn $8,501 they would not have otherwise earned had they used their own cash.

Even though the interest rates are the exact same, the volume of interest paid vs earned is significantly different. The Wealth Creator now has over $4,500 more than the Saver five years later, simply by changing the method used to buy the car. Keep in mind this account of now $38,501 continues to compound for an entire lifetime and can be used again for the next purchase.

The Family Bank Strategy is predicated on building wealth in accounts that will compound without interruption forever. This account must also be able to be used as collateral at any time and without restriction.

Collateralizing your savings is the very best way to have money working for you in two places at once. Your money can earn compounding interest in your Family Bank while being used for major purchases, outside investments activities, or anything else in which you participate.

2.) Controlling Your Money Like a Banker

Banks are the masters of controlling money. The banking business is essentially taking other people's money and controlling it for a profit. Banks have figured out they don't need to own capital but just need to control it and their process of controlling other people's capital has made them one of the most profitable industries in the world.

Did you know you can learn their process and implement their strategies with your own capital? If you begin to think and act like a banker, you can experience the same success of their industry. However, it requires a shift in mindset as banks use money in a way directly opposite most individuals have been taught.

For example, when banks make a loan, do they loan their own money? No - they always use a depositor's. Yet we are taught to always use the opposite technique.

Why don't banks ever use their own money?

Let's introduce the power of the banking process by assuming you have $10,000 on deposit in someone else's bank. They have agreed to pay you 1% a year to store your money with them. The bank doesn't just let your money sit there - they put it into motion as quickly as possible. As your capital resides in their bank, they loan your money out to a borrower.

Figure the bank finds a borrower willing to pay them 5% interest for a loan on a car, boat, home etc. Because the bank has control over your money, they loan it out and collect interest on your $10,000 at 5%, profiting them $500 on the loan. The bank in turn pays you $100 for the use of your money.

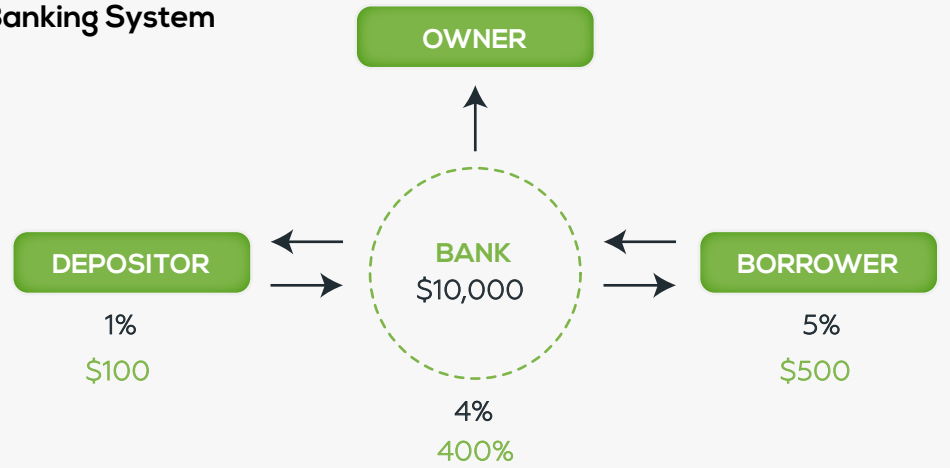
How much more is the bank earning on your money than you?

At first glance if a bank is borrowing your money at 1% and loaning it out at 5% it would appear they yield the spread – a 4% rate of return. However, this would only be true if they used their own money.

Upon closer examination, the bank is paying you $100 each year to store your money under their control and they can now leverage your capital to earn $500 for themselves – that's a 400% rate of return!

The bank has turned a transaction which would yield 4% into one earning 400% simply by controlling your money. Of course, the profits of the banking process go to the owner of the system.

The Banking System



Can you see why banks have all the big buildings?

The reality is - unless you have your own banking system - all your money is currently flowing through someone else's bank. Your paychecks are deposited in a traditional bank and then you write checks against that account for the things of life. While your money is in someone else's bank, the banker is lending your money to someone else and making a good living doing it.

The good news is you can reclaim control of your own capital. Because money is always in motion, banking is going to happen. Someone is going to profit off your cash-flow...it should be you!

While this may be a paradigm shift in thinking, consider:

Typical financial advice espoused today is predicated on you forfeiting control of your capital to an outside institution.

If you are a bank or financial institution, what motivates you? These institutions have four rules:

1. They want your money.
2. They want your money systematically.
3. They want to hold onto your money for as long as possible.
4. They want to give your money back to you as slowly as possible.

Pause to consider what the American public has been taught to do with their capital:

- Save for the future in a qualified retirement account – and lose access or incur penalties until age 59 ½.
- Prepay your mortgage – and transfer your cash over to the bank.
- Save for child's higher education costs in a qualified college savings account (529 plan) and limit what your dollars can be used for.
- Buy Term Life Insurance – and make annual deposits to the insurance company and receive no cash value.
- Pay cash for major expenses – surrendering control of your cash and all the interest it could have earned.

While none of these activities are necessarily wrong – the typical approach is most certainly predicated on forfeiting control of your capital and thus breeding dependence on third party lenders.

In contrast, the Family Bank Strategy teaches one to become independent of these outside institutions by reclaiming control of the banking function in your life.

"Everyone should be in two businesses – the one in which you make your living and the other should be the banking business that finances whatever you do for a living. Of the two businesses, banking is the most important." – R. Nelson Nash.

3.) The Ideal Financial Tool

The Family Bank Strategy is a concept that uses a simple process where you are able to keep your money working while you use it for outside financing activities. This process does require a tool – and the tool best designed to facilitate financing the things of life is a dividend-paying Whole Life insurance policy.

A specially designed, dividend-paying whole life insurance policy is the very best platform to create a Family Bank.

Dividend-paying Whole Life insurance has been around for over 150 years, yet is likely the most misunderstood financial tool today. When many individuals hear "life insurance" their mind runs to "death benefit". This is where special design is important as a Family Banking policy is designed to maximize the living benefits and minimize the death benefit.

We maximize the funding of the insurance contract's policies by putting as much money into the account as possible and structure it to provide as little insurance allowable.

This may appear counter-intuitive and can take a bit to wrap your mind around. Critics will say you are paying way too much for life insurance. In reality, we are searching for an optimized vehicle to manage cash flow.

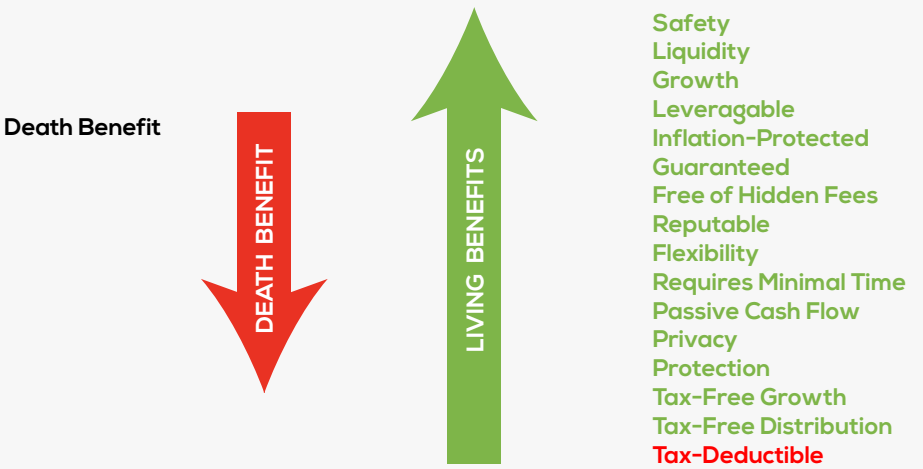
The policy or system of policies are designed to build what is known as cash value much more quickly than a typical insurance policy. It is the cash value which provide benefits to the owner simply no other financial tool can match. Here are the highlights of cash value in dividend-paying Whole Life:

1. Safe – every dollar going into this account will never lose value.
2. Liquid – money is accessible at any time for any reason.
3. Growth – money grows at a rate significantly greater than other savings vehicles.
4. Leverage – you can use your account as collateral.
5. Inflation Protection – your money grows at a rate greater than inflation.
6. No Hidden Fees or Penalties – transparency so the owner would not be surprised by money taken off the top.

7. Reputable – capital resides with reputable and historically profitable companies.
8. Flexible – you can fund the account whenever is most beneficial for you.
9. Easy Use – the account can operate on auto-pilot.
10. Private – there is no public record of your account and it is protected from creditors.
11. Protection – if a tragic event happened there would be a large payout to your family.
12. Passive Cash Flow – this account provides cash-flow exempt from taxation during your retirement years.
13. Tax-Free Growth – money grows without taxation.

MAXIMUM $$$

FAMILY BANK POLICY



MINIMUM $

When policies are specially designed to maximize the living benefits and minimize the death benefit, the owner receives benefits no other financial vehicle can provide. Here are some of the highlights:

- Any money you contribute, beyond the cost of insurance, is safe, liquid and guaranteed to grow.
- The growth is boosted by annual dividends you receive and the entire cash value can contractually be used as collateral for a loan.
- All the growth of the policy is tax-free and can be accessed tax-free.
- The policy provides inflation protection and is free of regulation.
- It can be used to generate passive cash flow later in life exempt from taxation.
- It protects you from creditors and the death benefit provides protection for your family upon your death income tax-free.

Your money must reside somewhere, what better place than here?

So What Exactly Is The Family Banking Strategy?

Instead of parking money in someone else's bank, you begin to capitalize a 'Family Bank' owned and controlled by you. When designed correctly, a specific type of dividend-paying Whole Life insurance policy is the ideal account. The contribution or premium levels are set so the policy owner builds what's called cash value much faster than they would without any special design.

This cash value is effectively equity similar to what you might build in a house. The cash value grows tax-free with uninterrupted compounding interest for the rest of the policy holder's life, even as they use it for outside financing activities (read that again).

This happens because the cash value can be used as collateral to take out loans from the insurance company called policy loans. In a Whole Life insurance policy, the insurance company contractually agrees to lend you their money for any reason, up to the amount of cash value you have in the contract. This guaranteed access to capital can be used to replace credit from a traditional lending institution.

Policy loans are extremely unique. There are no lengthy applications, additional collateral assignments, restrictions of use on the borrowed funds or repayment terms. More powerfully, the use of policy loans does not impact the continual growth of the cash value. In fact, the cash value is guaranteed to grow every year until the death of the insured. Furthermore this cash value grows tax-free and can be accessed tax-free through these policy loans.

While not discussed in this booklet, the Family Bank is also an optimal vehicle to produce retirement cash-flow as well as pass along assets to the next generation through the use of the policy death benefit.

Max Funded Life Insurance as the "AND Asset"

The easiest way to misunderstand this strategy is to start comparing maximum funded life insurance to other assets, mainly investments. Life insurance is NOT an investment, it is a savings vehicle. It is simply the best way to save and build capital for future endeavors you are planning on participating in already.

Properly designed life insurance is an "AND Asset" as it is the only financial tool available today which allows your money to grow and be used at the same time.

This AND Asset allows you to earn uninterrupted compounding interest for the rest of your life and use your money today for other activities. You can earn compounding interest and buy vehicles, and invest in real estate, and trade stocks, and finance your business, the list is truly infinite.

Life Insurance As A Financial Garage:

If you have a garage, you likely park your car in it every night to protect your vehicle from the outside elements. In the morning you take your car out of the garage, go about your day fulfilling your responsibilities, and at night bring the car back, parking it in the garage.

Because of the safety, growth, tax-advantages and liquidity it provides - a Family Bank is the ideal financial garage (it is not the car). It is the optimal place to build and warehouse liquid capital to use for opportunities and emergencies that will certainly arise.

There are infinite ways in which you can use the Family Bank Strategy, here is a short list to get you thinking:

- **Entrepreneurs** – over time eliminate the need for traditional banks and show you a better way to use your money in your own business.

- **Investors** – earn two rates of returns on the same dollar at the same time.

- **High Income Earners** – can't contribute to a Roth IRA, this will give you the same tax benefits and allow you to leverage your assets.

- **Retirement** – nearing retirement or already there, this strategy allows you to maximize cash flow by eliminating stock market losses and taxation.

- **Debt** – looking to reduce or eliminate debt, this allows you to save more money and pay off debt at the same time.

- **Family Activities** – looking to plan a vacation or fund college tuition, this account allows you to recover the lost interest cost from third party financing or using your own cash.

This strategy is a major paradigm shift for most individuals and often requires thorough study to understand the full message. It is not complicated, it is just a different way of thinking than how the majority behaves. Visit broganwealth.com to learn more through video tutorials and an extensive reading list beginning with **R. Nelson Nash's – Becoming Your Own Banker.**

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