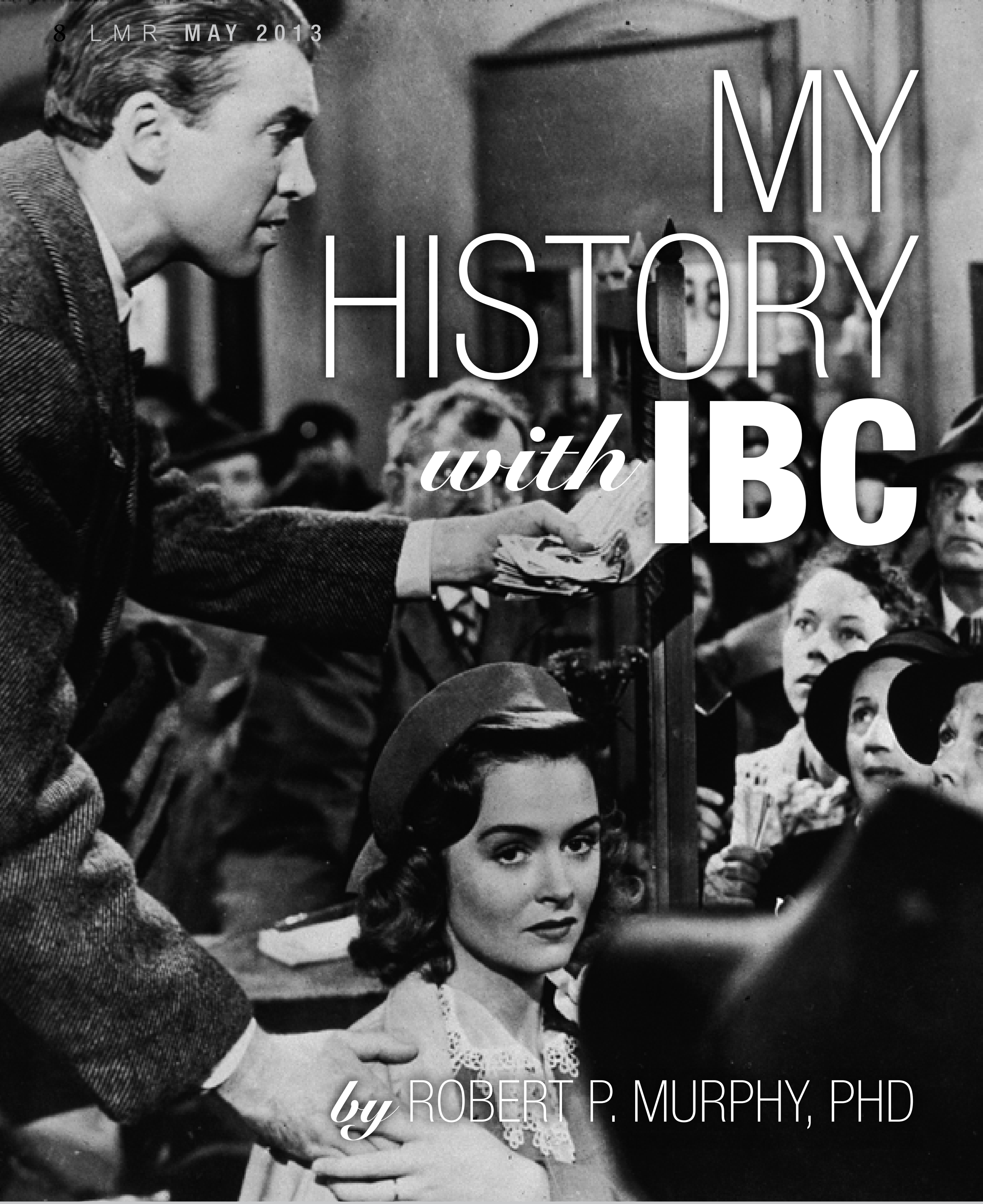


MY HISTORY *with* IBC

by ROBERT P. MURPHY, PHD

In this article, I will summarize Nelson Nash's Infinite Banking Concept (IBC) for the novice, but I will do so in the context of my own experience in learning about it. I'm making the article autobiographical because part of the story involves the newly launched IBC Practitioner's Program, and I can't fully explain the rationale of the program without describing the situation that I (and the other founders) perceived beforehand.

Related to this is the fact that, going forward, I will be talking more about the economics of life insurance on my personal blog and YouTube channel. This may seem strange to some of my long-time followers (who have come to expect my musings on libertarian political theory or a critique of the latest Paul Krugman blog post), and therefore I'd like to give them the whole background in one self-contained piece.

Thus this article serves several purposes. First, I hope it clarifies for Austrian / libertarian readers why I became so interested in the economics of life insurance. Yet I also hope it further explains to people already in the IBC community why I think the IBC Practitioner's Program is such an important component in bringing this message to a wider audience. Finally, it will hopefully prove useful as a general introduction to IBC for any reader, told in the style of "one guy's journey."

I will be talking more about the economics of life insurance on my personal blog and YouTube channel.

Before jumping in, I need to add one last caveat: I am not a registered financial advisor, and the information I offer in this article is not intended as a formal recommendation for any reader to change his or her financial situation. Obviously the reader should check with other experts before taking any action. I am merely

Carlos lent me a copy of Nash's underground bestseller, *Becoming Your Own Banker,* and asked me to evaluate it.

telling my own history with Nelson Nash's Infinite Banking Concept.

Meeting My (Future) Co-Author, and Discovering IBC

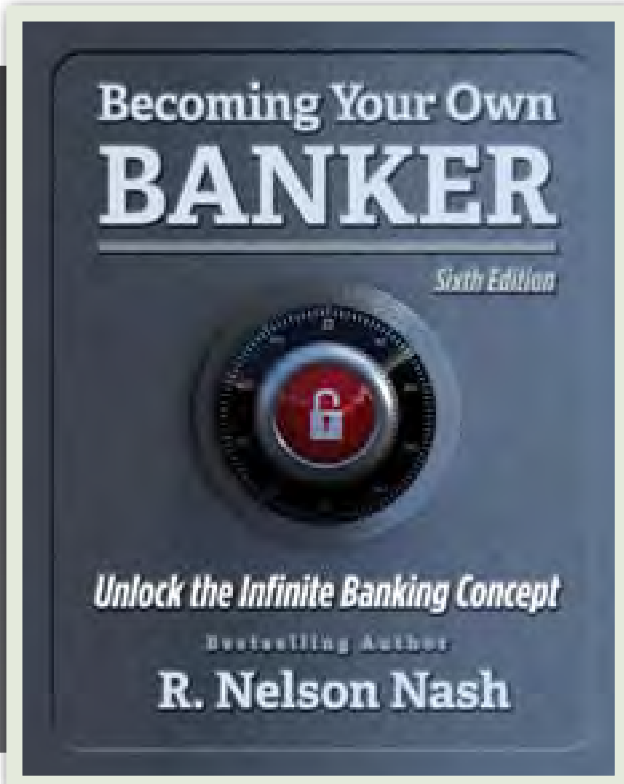
In the summer of 2008 I was contacted by Carlos Lara, who told me he was currently reading my Study Guide to Murray Rothbard's giant economics text, and he realized from the author bio that we both lived in Nashville. We began meeting for lunch to discuss the unfolding financial crisis and other such weighty matters. At an early stage in these meetings, Carlos—whose consulting business focused on setting up trusts for businesses and households—explained that in addition to being a big fan of Austrian economics, he was also an avid proponent of Nelson Nash's Infinite Banking Concept (IBC). Carlos lent me a copy of Nash's underground bestseller, *Becoming Your Own Banker,* and asked me to evaluate it.[1]

The basic idea of *BYOB [Becoming Your Own Banker]* is that the typical American household is flushing away boatloads of money in interest expenses to outside financiers. If people could become disciplined and *save up* before making major purchases—so that they were relying on their own accumulated capital rather than what others had saved—they would be able to finally start getting ahead.

However, Nash wasn't preaching a simple "get out of debt" philosophy.

Nash had several numerical illustrations to show that this strategy would make a person a heck of a lot wealthier over time...

I must confess—and I've said this several times in front of Nelson; he's okay with it—that at first I couldn't make heads or tails of *BYOB.*



(W)e grew up being taught that "saving for retirement" was basically the same thing as "buying into IRS-approved mutual funds with large exposure to Wall Street equities"...

However, Nash wasn't preaching a simple "get out of debt" philosophy. Instead, he was okay with *gross* borrowing in order to finance major purchases, but it had to be done under special conditions such that really you weren't borrowing *on net*. For various reasons (some of which I'll sketch out, later in this article), Nash argued that it made a lot of sense to accumulate a stockpile of wealth inside one or more high-premium, dividend-paying, whole life insurance policies. (!!)

Now for the "becoming your own banker" part: Whenever a person needed to buy a new car, send a kid to college, pay for a wedding, go on a cruise, fix the furnace, etc., he wouldn't borrow from a conventional lender, and he wouldn't even draw down "cash" sitting in a bank CD or other type of "savings account." Rather, the person would get a *policy loan* from the insurance company, using his (well-funded) life insurance policy as the collateral. Then, instead of making periodic "car payments" (or whatever the big-ticket item was) to the conventional lender, the person would direct the same cashflow to the insurance company. Nash had several numerical illustrations to show that this strategy would make a person a heck of a lot wealthier over time, compared to other ways that the average American household might run its affairs.

I must confess—and I've said this several times in front of Nelson; he's okay with it—that at first I couldn't make heads or tails of *BYOB*. I'd be reading along, thinking, "This guy is really wise, I just *love* his worldview." Nelson would make very profound statements about the human condition, the weaknesses and temptations

Part of the problem was that I knew absolutely nothing about whole life insurance.

we all face, and he was very skeptical of commercial bankers and—most of all—government programs. Further, Nelson was very well-read in the great Austrian and libertarian works, and heaped praise on the Foundation for Economic Education (FEE) as well as the Mises Institute—two places for which I had done a lot of work. So there were a lot of things pushing me to tell Carlos that, in my opinion, *BYOB* was a great book.

But then I'd keep reading and come across a statement that sounded *nuts* to me. What the heck was this guy Nash saying? Was he making some elementary error at Step 1 in his analysis? Could I just toss this slender book aside, and not have to waste any more of my time trying to figure it out?

Part of the problem was that I knew absolutely nothing about whole life insurance; I thought all life insurance was term insurance, where you make premium payments during the contractually specified slice of time, and the insurance company sends you a check if you die during that period. (My joke at the time was that I had always been baffled at the scene in *It's a Wonderful Life* when Jimmy Stewart's character tries to bargain with the greedy old man, using his life insurance policy. That seemed as nonsensical to me as someone trying to raise money by pulling out his fire insurance policy.) So, when Nelson in BYOB showed various tables talking about the dividends paid out on an insurance policy, and how you could use them to buy more "paid up insurance" and boost your "cash value" and death benefit to higher levels, I didn't really understand what was even going on, let alone could I determine if his numbers seemed plausible.

As an aside, let me remark that my ignorance at that time is really a profound statement on how much things changed in the financial sector over the 20th century. Here I was, with a PhD in economics from a top-15 program in the world, I had done a dissertation on capital and interest theory, and I had even worked for a financial firm, helping with research papers for clients and calibrating the computer model that ranked stocks according to various criteria our chief economist (and head of the firm) would tell me to plug in. Yet I didn't know what permanent life insurance was, even though an economist like Ludwig von Mises—about whose work I had written a Study Guide—casually mentions in several places in his writings that the average household saved via life insurance.[2] To people of my age and younger, we grew up being taught that "saving for retirement" was basically *the same thing as* "buying into IRS-approved mutual funds with large exposure to Wall Street equities, where you're not allowed to touch your money for decades." In hindsight, it is stunning that I was so naïve, since my *career* was based on being suspicious of all these shenanigans!

> The market value of the collateral on your life insurance policy loan can't go down.

A Brief Introduction to Whole Life Insurance

In case the reader is also unsure of how whole life works, let me explain very briefly: In a whole life insurance policy, the coverage never expires.

So long as you keep making the (same) premium payment, your coverage remains in force (your "whole life"). Eventually, the insurance company will send the death benefit check, either when you die, or when the policy officially matures (which on newer policies might happen at age 121). Because the insurance company knows that it will eventually have to pay out on a whole life policy (whereas it probably *won't* pay out on the typical term policy), the insurance company must use a portion of the incoming premium payments to begin building up assets held on behalf of the whole life policyholder.

With each passing year, the implicit liability to the insurance company from your outstanding whole life policy grows larger and larger. (You are getting closer to death, or to age 121.) Thus, it would be worth more and more to the insurance company, if you were to eliminate that possibility of a big payout. This is why you can choose to *surrender* your policy at any time, and receive a *cash surrender value* lump sum payment from the insurance company. There are guaranteed cash surrender values at every point in your contract, specified at the outset. In practice your *actual* cash surrender values will probably be higher (assuming you tell the company to use dividends to expand your policy), but the crucial point is that you have a *guaranteed* scale of rising values over time, showing how much you can get if you surrender at various years into the policy.

Finally, the whole life contract spells out the *guaranteed* interest rate (or the rule for how the rate will be determined) at which you can take out a loan from the insurance company, with the cash surrender value serving as collateral. Unlike other types of collateralized loans—such as a home equity loan—the insurance company doesn't ask any questions when you apply for such a "policy loan." The reason is straightforward: The insurance company *itself* administers and guarantees the value of the collateral, so the insurance company doesn't care when, if ever, you make payments on the loan.

Carlos thought so highly of this guy Nelson Nash and his IBC philosophy, that I didn't want to prematurely dismiss it.

In contrast, if you go to your local bank and try to take out a home equity loan, they are going to ask your sources of income, what you intend to do with the loan, and so forth. Why the difference? The value of the collateral (your house) is uncertain, and it would be a pain for the bank to foreclose on you if you default. The commercial bank would very much prefer *not* to find itself in a position of seizing your collateral. In contrast, the market value of the collateral on your life insurance policy loan *can't* go down (the way the real estate market can crash), because the insurance company itself guarantees it. And "foreclosing" is a piece of cake: If you still have an outstanding policy loan when you die, the life insurance company just subtracts the balance from the death benefit check on its way out the door.

Translating Frameworks

Anyway, back to the story: Because this new acquaintance Carlos seemed like a pretty sharp, no-nonsense guy, who lived in a wealthy neighborhood, advised very wealthy clients on financial matters, and gave the most intuitive PowerPoint presentation on fractional reserve banking that I had ever seen, I kept giving this odd book *BYOB* additional chances. Carlos thought so highly of this guy Nelson Nash and his IBC philosophy, that I didn't want to prematurely dismiss it.

Eventually it started clicking for me. What happened is that in order to feel comfortable with IBC, I had to reinvent the wheel, and reach Nelson's conclusions through my own chain of logic. In other words, I had to run Nelson's ideas through a "wind tunnel" of my own educational background, even though one of Nelson's main themes is that we need to *stop thinking that way*, since the conventional framework could be very misleading and was pushing people into erroneous decisions all the time. But, we have to work with what we know and trust, and I couldn't fully embrace IBC until I had broken it down and understood it with the conventional tools of analysis that I had from my economics background.

The "Rates of Return" Trap, and Other Objections

Let me give some examples of what I mean. Nelson often stresses that IBC "isn't about rates of return." At first, I thought he was basically admitting that the critics were right, and that whole life insurance was a "terrible investment" because of its abysmal internal rate of return.

But of course, that's not *at all* what Nelson is saying. His point is that *you aren't "investing in life insurance," rather you are setting up a very conservative financing system* over which you have much tighter control, compared to any other readily-available option. If you spot a great investment opportunity that will yield (you think) 20% in the first year, then great! Go ahead and borrow against your whole life policy, and acquire the investment. IBC simply describes a *headquarters* or "home base" for your wealth, not a final destination (or prison!) the way 401(k)s are currently designed.

Indeed, some of the most powerful portions of his book show how both the average person but also a business owner, can end up wealthier at a future date by using IBC instead of conventional lenders. Obviously, if you end up with a higher net worth at age 65, using the same out-

Ramsey could just as easily "prove" that nobody should ever buy a corporate bond, because stock issued from the same company will always have a higher expected return.

(T)he cash surrender value is something like the equity you build in a house, as you pay down the mortgage.

of-pocket cashflows, then you must have earned a higher "internal rate of return" with IBC than the alternatives Nelson considered. So to say "this isn't about interest rates" wasn't to reject standard accounting; I could still come in, using conventional financial analysis, and make sense of what Nelson was recommending. It's just that it was such an *unusual idea*, that at first I didn't even know how to apply the equipment in my toolbox.

Let me give another example. Dave Ramsey is a radio talk show host who (admirably) counsels people on how to get out from their crushing debt load, through obvious but crucial things like making out a budget, communicating with one's spouse on financial affairs, etc. Ramsey is very entertaining and I can certainly understand why his show is so popular. However, Ramsey absolutely has it out for whole life (and other types of permanent life insurance) policies, advocating instead that people "buy term and invest the difference." For example, in a post from his website, Ramsey implies that you won't have *any* cash value for the first three years of a new policy. He goes on to explicitly say that the rate of return on your money is much higher in mutual funds, that you won't need life insurance after 20 years if you follow his plan, and that the insurance company keeps your cash values when you die, giving your beneficiary only the death benefit.[3]

It was such an unusual idea, that at first I didn't even know how to apply the equipment in my toolbox.

Every one of these (typical) objections is either misleading or downright false, at least when it comes to Nelson Nash's IBC approach of using whole life policies. First, if you set up the policy properly with a "Paid Up Additions (PUA) rider," then right off the bat, a portion of your periodic payment is buying a chunk of fully paid-up life insurance. Thus, your cash value begins rising immediately, and you can begin borrowing against your policy right away (if you need to).

As far as comparing rates of return, again the problem is that Ramsey is viewing permanent life insurance as an investment, rather than a cashflow management strategy. Yet even if we use the standard tools of financial analysis, it is a non sequitur to point out that a mutual fund is expected to have a higher 30-year (say) average annualized rate of return, compared to the internal rate of return on an insurance policy's projected cash value growth. Such a bald statement ignores the difference in *risk* between the two strategies. (Whole life insurance policies have guaranteed minimum rates of return. Do equity-based mutual funds have that?) Ramsey could just as easily "prove" that nobody should ever buy a corporate bond, because stock issued from the same company will always have a higher expected return.

In a similar vein, Ramsey is engaged in simple hand-waving when he says you can just buy a 20-year term life policy, because you can "self-insure" when it expires. Fine, but you still need to account for the implicit option value in a whole life policy, which allows you to have coverage in force for your *whole life* at the same, original premium. There are ways to account for the fair market value of an in-force life insurance policy of a particular death benefit, and your portfolio would take a big hit when that asset suddenly expires if you use the "buy term and invest the difference" approach.

By making these comments, I'm not "proving" that more life insurance is *always* the best thing to buy, from a conventional "asset class" allocation perspective; otherwise we would have the absurd result that everybody should put every last dollar of his wealth into life insurance policies, with nobody owning stocks, bonds, real estate, or precious metals. (Obviously *somebody* has to own a share of corporate stock or a piece of real estate, and that ownership must be voluntary. So their prices adjust to make it attractive for someone to acquire and hold.) All I'm making is the modest point that in Ramsey's critique of whole life and related insurance policies—when he compares them very unfavorably with "buy term and invest the difference in mutual funds"—he isn't even attempting to set up an apples-to-apples comparison of the two strategies. He's pulling one set of statistics—internal rates of return—out of context and trumpeting them as if they're decisive, when the actual situation is much more nuanced.

> If you take out a whole life policy at age 20, and then happen to get hit by a bus at age 41, that *helps* your estate.

Finally, the oft-repeated objection that the sneaky insurance companies "keep your cash value" when you die, completely misconstrues what the cash surrender value on a whole life policy *is*. Intuitively, the cash surrender value is closely related to how much of a liability your policy represents to the insurance company; the textbook definition (where we are abstracting away from some real-world complications) of the cash value is: the actuarially expected, present discounted value of the future death benefit payment minus the future premium payments. (In a world with no overhead expenses and perfect competition among insurance companies, when the policy is first signed, the expected flow of premium payments would exactly equal the expected death benefit payment—accounting for mortality risk and the time-value of money—and so the formula for the cash value would be $0 at the start.) The cash value goes up over time, because with each year you are (actuarially) that much closer to death, while there are fewer premium payments for you to make.

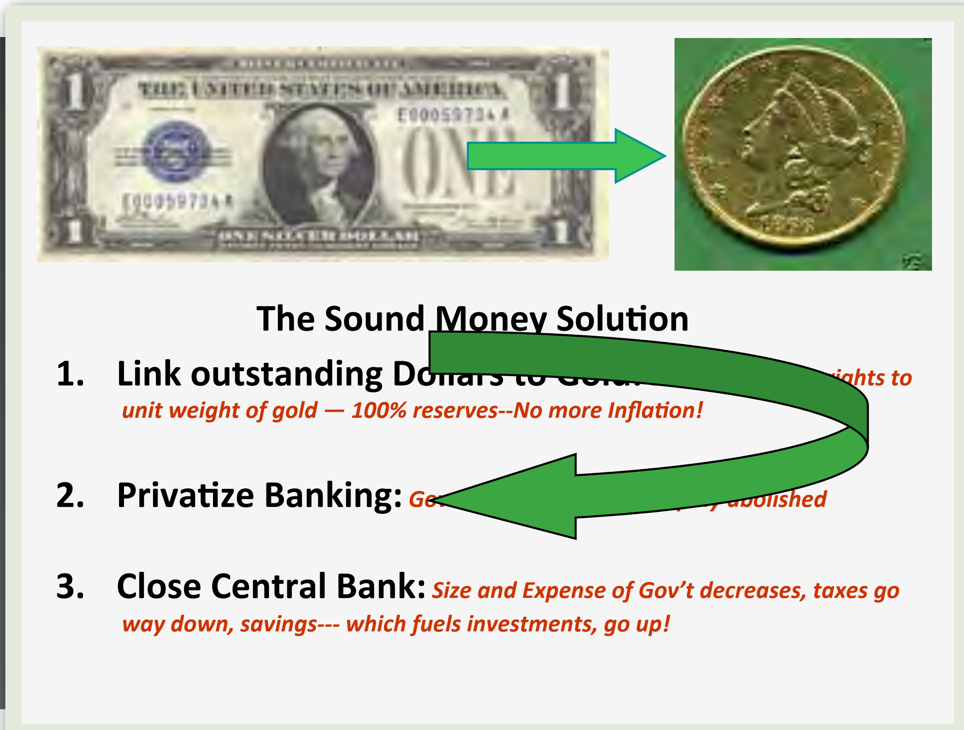
Thus, the cash surrender value is something like the equity you build in a house, as you pay down the mortgage. In the whole life case, the "mortgage" is your stream of contractually specified premium payments, and the "house" is the death benefit payment (either when you die, or when the policy matures at age 121, let's say). With each "mortgage" payment, the insurance company's lien against your "house" shrinks, which is why your "equity" in the policy grows.

In that light, *of course* you don't get your cash value *on top of* the death benefit, when you die. The cash value was simply the on-the-spot (correctly discounted) *anticipation value* of the looming and uncertain future death benefit, netting out the premium payments you'll have to make in the meantime, which is a big lump sum payment that might not come in for decades. If you take out a whole life policy at age 20, and then happen to get hit by a bus at age 41, that *helps* your estate; your grieving spouse isn't going to get merely the "cash value," but instead is going to get the full (i.e. non-discounted) death benefit, much earlier than expected. In this case, you made out like a bandit with your whole life insurance policy, earning a far higher "internal rate of return" on your premium dollars, compared to Ramsey's strategy (in which you would have dropped your life insurance coverage the year before).

Now it's true, if you are doing a sophisticated comparison of "buy term and invest the difference" versus "put everything into a big whole life policy," then you need to worry about the complication that the cash value is simply a derivative asset based on the underlying life insurance; it's not a separate entity like it is in the mutual fund. But my point is, there's nothing sinister going on here; it makes no sense at all to complain that the insurance company "keeps the cash value" after mailing out a death benefit check.

One final way to see it, going back to the mortgage analogy: With each passing month, you pay down more and more of your principal. Your

There's nothing sinister going on here; it makes no sense at all to complain that the insurance company "keeps the cash value" after mailing out a death benefit check.



Because I really wanted to get to the bottom of this IBC stuff, I made the 3-hour drive down to Birmingham the day before I was scheduled to speak.

CPA tells you how much equity you're building up in your house. Then after 30 years, you finally make the last payment; the house is yours, free and clear! You go down to your local bank, get the deed, and then ask for a $300,000 check as well. The teller is shocked, but you explain, "My CPA says I now have the full $300,000 in equity in my house. So where is it? I sure hope you guys aren't planning on keeping my equity from me. I want the house *and* my equity value." Dave Ramsey and others are making a similarly confused point when they warn their fans that the insurance companies "keep your cash value" when you die.

The IBC Think Tank

Returning to the narrative: I became further reassured that this whole thing wasn't crazy when I first attended the "IBC Think Tank" in Birmingham. (This would have been in February 2010.) Because of Carlos' efforts on my behalf, Nelson Nash and David Stearns (who ran the day-to-day operations of IBC) had asked me to be the after-dinner speaker on the first night of the two-day conference. Because I really wanted to get to the bottom of this IBC stuff, I made the 3-hour drive down to Birmingham the day before I was scheduled to speak. This allowed me to sit in on part of a Nelson Nash seminar (which catered to regular people who wanted to use IBC for their household finances), and also ensured that I could attend all of the sessions of the Think Tank itself (which catered to financial professionals who were using IBC with their clients).

At the Think Tank, I saw a CPA give a presentation explaining the proper way to document interest income and deductions, so that the IRS wouldn't object. (This reassured me that the whole thing wasn't some big tax evasion scheme.) Another presenter pointed out that, when you figure in the favorable tax treatment on whole life policies (if they meet certain requirements which I won't discuss in this article), their "awful" internal rates of return actually become pretty decent, considering the guarantees in the product and the ease with which you can access the money. Furthermore, several other of the presenters were insurance producers who had plenty of anecdotes of how they had shown clients ways to improve their cashflow management by incorporating IBC. It's not so much that they proved IBC was the best possible technique imaginable; it just happened to be a heck of a lot better than what their clients had been doing *before*.

Writing *How Privatized Banking Really Works*

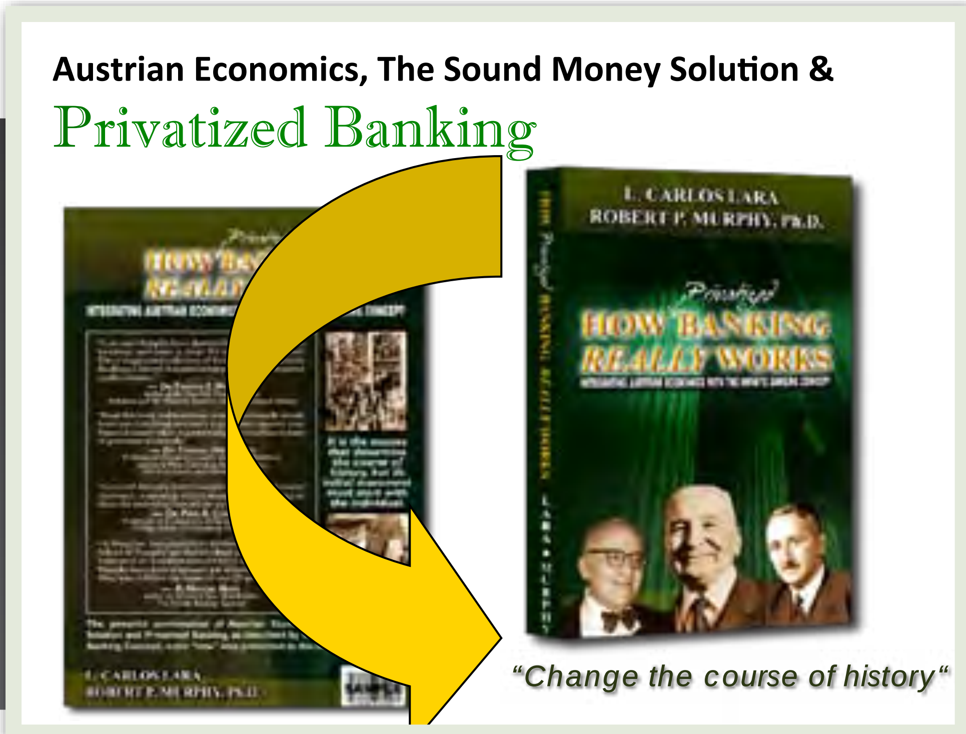
I had seen enough to be convinced to get my own (starter) policy, to learn more about how IBC worked. In this same time frame, Carlos kept telling me that the Austrian economists saw *the problem* with our financial system—the fiat money central bank, and the fractional reserve commercial banking system that it controlled and nurtured. The Austrians preached, correctly, that the only genuine solution would be a total reform of government policy, to return money and banking to the private sector.

Yet even though the other Austrians and I were touring the country, speaking out on these topics, our solution—educating the masses until the government had to change course—seemed like a hopeless pursuit to too many people. In the meantime, Carlos explained, Nelson Nash and his IBC disciples were allowing households to *secede one by one* from the corrupt system. In other words, if you "became your own banker" the way Nelson recommended, then you were effectively privatizing banking in your own life.

This insight hit me so hard that I physically recoiled. *That* was the hook that would allow

In the meantime, Carlos explained, Nelson Nash and his IBC disciples were allowing households to secede one by one from the corrupt system.

Showing the complementary goals of these two groups is what Carlos and I tried to do in our book *How Privatized Banking Really Works.*



The more we learned about whole life policy design, the more "obvious" Nelson's IBC approach seemed.

Carlos and me to try to "introduce" these two camps to each other, who were each doing the Lord's work (some quite literally, in their understanding of it) in their own respective fashions. You had the academic Austrians writing articles and preaching to large crowds that there would be a day of reckoning from Bernanke's mad money printing, and recommending bank runs to bring the fat cats down a notch. On the other hand, you had the IBC community meeting with individual households, showing them how to shield themselves from the commercial bankers and Wall Street, yet many of them didn't tie it in to the broader macro framework.

Showing the complementary goals of these two groups is what Carlos and I tried to do in our book *How Privatized Banking **Really** Works*.[4] Most of the book is spent explaining how money and banking work in a genuinely free society, and contrasts it with the corrupted institutions in our actual world. Then we introduce the basics of IBC, and stress that when you take out a policy loan, the insurance company cannot create the money "out of thin air" the way a commercial bank does. Thus, the more households who practice IBC, the less demand for commercial bank loans and the harder it is for them to inflate. Furthermore, fewer people will be taken down when the stock market crashes again.

In researching our book, Carlos and I read a lot, of course, but we also traveled to insurance company home offices to interview their key personnel. We began learning more and more about the life insurance industry. In particular I began focusing on the actuarial side of things, because that dovetailed so well with my background. The more we learned about whole life policy design, the more "obvious" Nelson's IBC approach seemed.

Here was this old, conservative, boring financial product—a dividend-paying whole life insurance policy—that seemed remarkably designed to aid us in our current environment.

(T)here was one snag: Not just any insurance agent can properly set up an IBC policy the way Nelson Nash intends.

The Night of Clarity

Carlos and I released our new book in the summer of 2010 at the "Night of Clarity," a Friday/Saturday event held in downtown Nashville. We assembled an all-star team of Austrian lecturers for the Friday session, including Nelson Nash, Paul Cleveland, Richard Ebeling, and Tom Woods. This was basically the diagnosis of "the problem," telling everyone why the financial crisis had occurred, and what the Austrians had to say about a long-term fix.

Then on the following Saturday, we held a workshop on IBC. Here we presented "the solution" at least for the individual household, which could be implemented right away without relying on protests in DC or any type of political activism. Here was this old, conservative, *boring* financial product—a dividend-paying whole life insurance policy—that seemed remarkably designed to aid us in our current environment.

That particular event was very well received, with great presentations given all around. In addition—for those who don't know—Nashville is a wonderful travel destination, with a lively downtown, especially if you are a music fan. This year we are thrilled to announce that at our Night of Clarity (August 23-24) we will once again have Tom Woods and Nelson Nash, but we will also feature FEE president Larry Reed and our headliner is Dr. Ron Paul. Check out http://NightOfClarity.com for the details.

Suffice it to say, a person *can't* simply hand *BYOB* to a random insurance agent and say, "Give me one of these."

Further, it reassures me to know that the people who have graduated from the IBC Practitioner's Program have demonstrated that they possess a solid foundation in Austrian economics, the economics of life insurance, and IBC.

The IBC Practitioner's Program

At this point, Carlos and I were well poised to "evangelize" the IBC message to Americans, especially those with a prior interest in Austrian economics. However, there was one snag: Not just any insurance agent can properly set up an IBC policy the way Nelson Nash intends. There are various subtleties (Can IBC work with Universal Life or other products? With what company? How should the premiums be structured?) involved, which lie outside the scope of this introductory article. Suffice it to say, a person *can't* simply hand *BYOB* to a random insurance agent and say, "Give me one of these."

This was a problem, because if Carlos and I were successful, then people would obviously want someone to help them look at their own household or business situation, and figure out how to apply Nelson's ideas. If we got such an email, asking for advice, and we happened to know an IBC veteran in the same city, then we could connect the person. But in general that would begin to get cumbersome, and outside of the group of long-time fans of IBC whom Nelson and David Stearns knew personally, Carlos and I couldn't really be sure of where to steer interested people.

To give an even better illustration of the awkward situation: Carlos and I would go on the road, giving our presentations to audiences that insurance producers would assemble. Obviously,

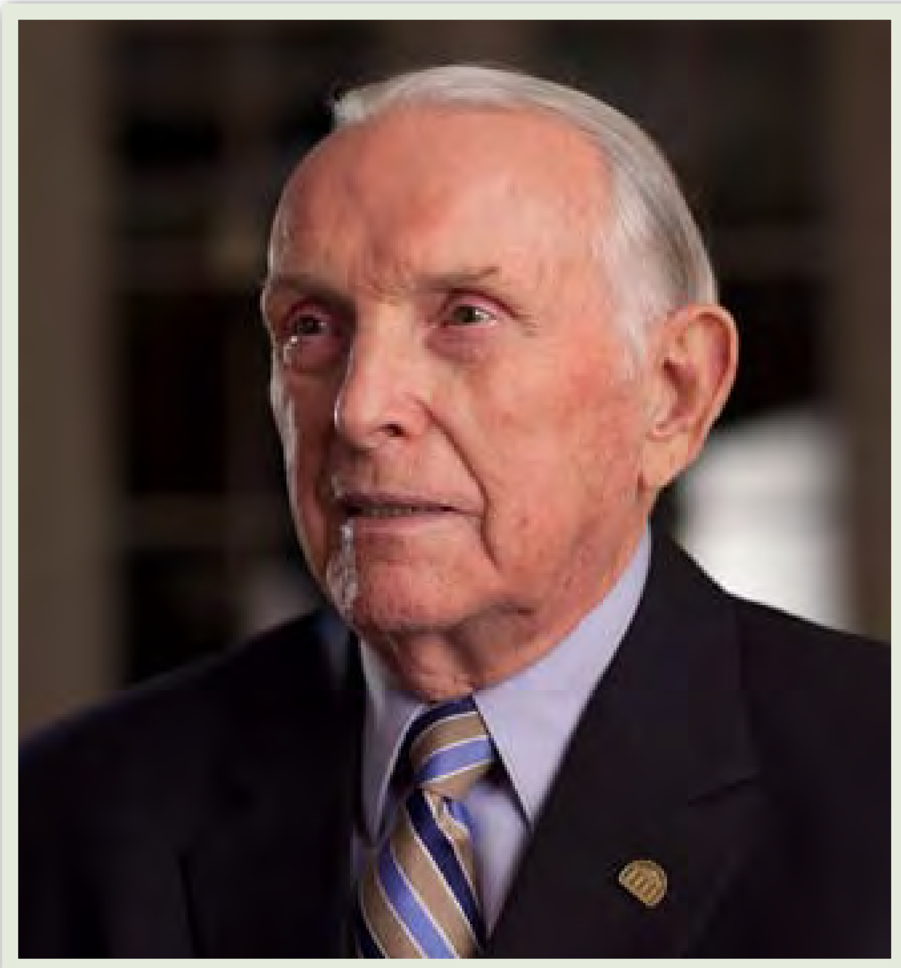
We wanted to spread the good word, but we also didn't want to be naïve.

Now people will understand why I am so interested in the economics of life insurance, and why I'm sensitive to what seem ill-informed critiques of whole life.

the producers were bringing us in to show the crowd that the use of life insurance they had been discussing, made sense—why, here were an independent businessman and economist saying it works, and who practice IBC personally! But the problem was, what if a stranger emailed Carlos and me, asking us to fly out and give a presentation? The person could say he knew all about Nelson's ideas, but for all we knew he might be setting people up with something other than a whole life policy (which Nelson does not recommend). We wanted to spread the good word, but we also didn't want to be naïve, and we certainly didn't want people getting set up with an insurance policy that didn't do what was described in *BYOB*.

In collaboration with Nelson Nash and David Stearns, we hit upon a solution: The IBC Practitioner's Program. This is a training program run by the Infinite Banking Institute (IBI). The course is designed *for financial professionals*—including not just insurance producers but also CPAs, tax attorneys, accountants, and financial planners—who are thinking of incorporating IBC into their practices. Before even beginning the program, a new student must sign a contract saying (among other things) that if a client requests a Nelson Nash/IBC policy, or if a client comes specifically from the IBI website, then the student will *only* facilitate setting up that client with a dividend-paying, whole life policy—exactly what Nelson Nash recommends.

To create the Program, the four of us engaged in a lot of research. (Carlos and I made more road trips to home offices, developed relationships with actuaries, and read insurance textbooks.) We all developed a large Course Manual and accompanying video series with more than



15 hours of lectures, which covers such topics as: (a) the basics of Austrian business cycle theory, (b) the actuarial basis of whole life policies, (c) a line by line explanation of the illustrations in *BYOB*, (d) the basics of implementing IBC, and finally (e) also stressed the correct way to explain certain concepts to a newcomer, to ensure that there is no confusion about "borrowing from yourself" and other roadblocks.

At the end of the course, the student must pass an online, proctored exam administered by a third-party site. The exam is designed to be fairly straightforward for someone who has read the Course Manual and watched the videos, but to be nearly impossible for someone who just tries to wing it without any real knowledge of IBC. Upon passing, the student becomes an authorized IBC Practitioner, can call him or herself such in promotional materials, and can (if desired) be listed at the IBC Practitioner Finder at the IBI website.[5]

Among other benefits, the IBC Practitioner's Program now clears the way for me to focus on studying the economics of life insurance, and clarifying its nature to the public through blog posts and YouTube videos. Before, it would have been impossible for me to control who was using my material to sell to clients. But now, I can always include the advice that if any reader or viewer is interested in these ideas, that there are authorized IBC Practitioners listed (by state) at this website: https://www.infinitebanking.org/finder/.

Of course, it's entirely possible that someone who's *not* listed at the IBI site is a perfectly reputable person, and is an expert in the philosophy of Nelson Nash. More generally, there may be insurance agents who have a difference of opinion with Nash's approach, and recommend to their clients that they do things differently. But from my perspective, I am comfortable explaining how *whole life* insurance policies work, since that's what I've spent the last several years studying. Further, it reassures me to know that the people who have graduated from the IBC Practitioner's Program have demonstrated that they possess a solid foundation in Austrian economics, the economics of life insurance, and IBC; *and* that they have contractually agreed to set up the relevant clients with the type of policy that Nelson intends.

Conclusion

This article is admittedly long, but I thought it important to explain my history with IBC in one self-contained piece. Now people will understand why I am so interested in the economics of life insurance, and why I'm sensitive to what seem ill-informed critiques of whole life. The more I study it, the more I believe that Nelson Nash's Infinite Banking Concept makes sense, and that a properly designed whole life insurance policy can be an important component in the financial arrangement of the simple household or large business.

References

1. Nash's book, and many other materials related to IBC, are available at: https://www.infinitebanking.org/store/.

2. See: http://consultingbyrpm.com/blog/2012/08/life-insurance-the-forgotten-savings-vehicle.html.

3. See: http://www.daveramsey.com/article/the-truth-about-life-insurance/.

4. See: http://consultingbyrpm.com/how-privatized-banking-really-works.

5. See: https://www.infinitebanking.org/finder/.