

Presented By: **Del Fujinaka**

VELOCITY FINANCING CASH FLOW

IN YOUR PERSONAL ECONOMY



Hoku Legacy Solutions LLC

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How do you increase your Financial Security and Personal Wealth by Increasing Cash Flow Efficiency?

Let's begin by reviewing and clarifying what makes it all work – the economic principles that form the bedrock foundation of “Infinite Banking Concepts”™; what we call “Legacy Banking”.

Opportunity Cost

Here are a few examples:

Let's say you pay \$1,000 too much in income tax. Tax that could have been avoided.

It's not just \$1,000 of cost. If kept, it could be saved.. and invested.. to become \$2,000; \$4,000; maybe \$6,000 over time.

If you pay \$25,000 cash for a car, you lose the \$81,085 it would grow to in 30 years (at 4% interest); perhaps at, or during, retirement.

That's just one car. Think of all the cars, vacations, home maintenance, education, and other major costs that take our savings.. our capital.. and all its future growth.

Every dollar of interest paid to banks is not just one dollar. The true cost is the dollar plus every dollar of interest it could earn and compound over time; if it was kept, saved, and invested.

That is Opportunity Cost. The money is gone.. forever.. and has lost the opportunity to work for you.

We certainly need to spend money to satisfy our needs and wants. However, it's how we pay for things that makes the difference between "opportunity cost" and "opportunity gain". We'll explain why.

Macroeconomics

When you put your eye to a microscope the rest of the world is shut out. You can't see what's going on beyond the edge of the slide you're focusing on.

The same thing happens when making our financial decisions. We tend to focus on the details of the product or service at hand in relation to satisfying the need at hand. The broader implications; both pitfalls and opportunities; can be missed; often are missed, by the narrow focus.

Macroeconomics is simply seeing things in a broader scope; a "macroscope" as opposed to a "microscope"; to make more "inter-beneficial" financial decisions in your "personal economy".

Velocity of Money.

The Velocity of Money Multiplier Effect.

Typically, our money does one job; whatever product or service we choose to allocate it to.

With Velocity of Money, the money does two or more jobs; gets two or more uses; at the same time. It's like having more money.

Banks use Velocity routinely. It is standard banking practice. "Legacy Banking" enables you to do it too. Think about what that could do for you.

We can show you how to do that for yourself. It's in the manual we provide to all of our clients, and it's illustrated in our "Velocity of Money" video tutorial.

With the understanding of those principles as our foundation, let's begin.

We all want a good "rate of return" on our saved and invested money. For most, it's the primary focus of cash management.

Let's examine that focus.

Let's say Person A and Person B have incomes of \$100,000.

Both save \$5,000 per year. Both earn a net 6% on what they save.

At 6% both earn \$300 on what they save in a year. Person A is happy with that. Person B looks deeper.

Looking deeper, it's seen that saving \$5,000 means there is \$95,000 of expenses.

Person B sees that by cutting expenses by just 1% there is a savings of \$950.

\$950 is equivalent to earning 19% on the \$5,000 that was saved.

It's more than three times the interest earnings. Cash in hand; to save and compound personal wealth.

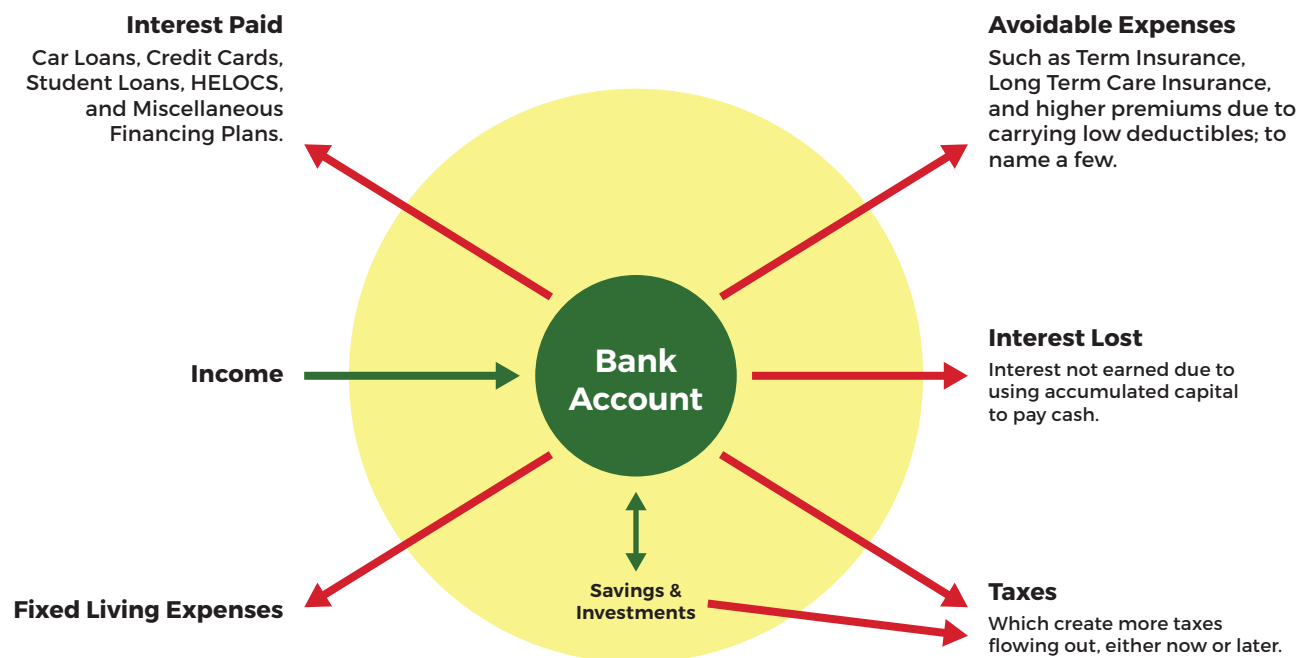
And its tax free because it comes from recouped costs, not from earnings.

Here's the math: $\$5,000 \times 19\% = \950 . $1\% \text{ of } \$95,000 = \950 .

The question becomes: How is the 1% of expenses recouped? The "secret" is found in stepping beyond cash management into cash flow management.. through a "Legacy Bank".. which can typically cut and recoup expenses by 2% to 4%. Let's look at how it's done.

The Personal Economy

We All Have One

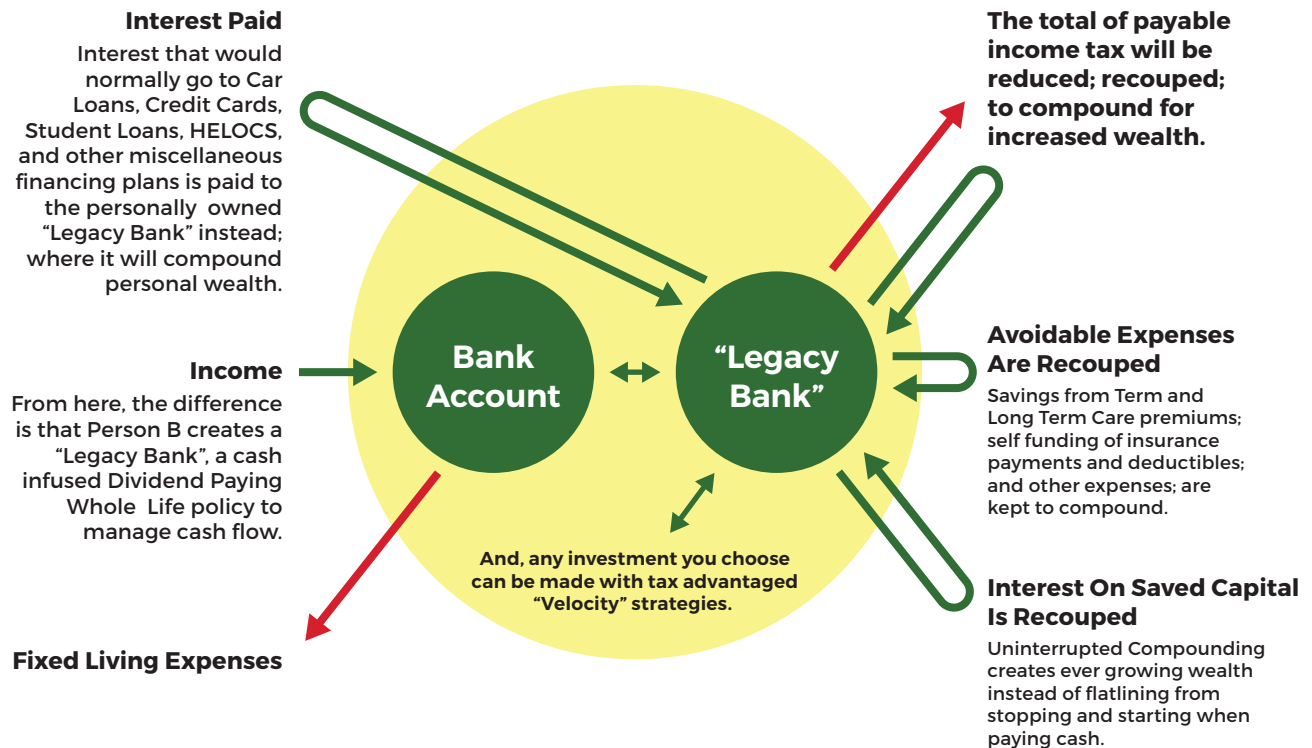


The flow of our money out of our Personal Economy is the predominant result of how we do things, making the Personal Economy an overall net negative rate of return. Just the tax and interest costs that we create each year.. by our own actions.. offset, and likely exceed, the interest and growth we earn each year.

All of that money is gone forever, along with all the wealth it could have accumulated if it was kept and compounded.

Here Is How Actively Using The “Legacy Banking” Process Would Change That.

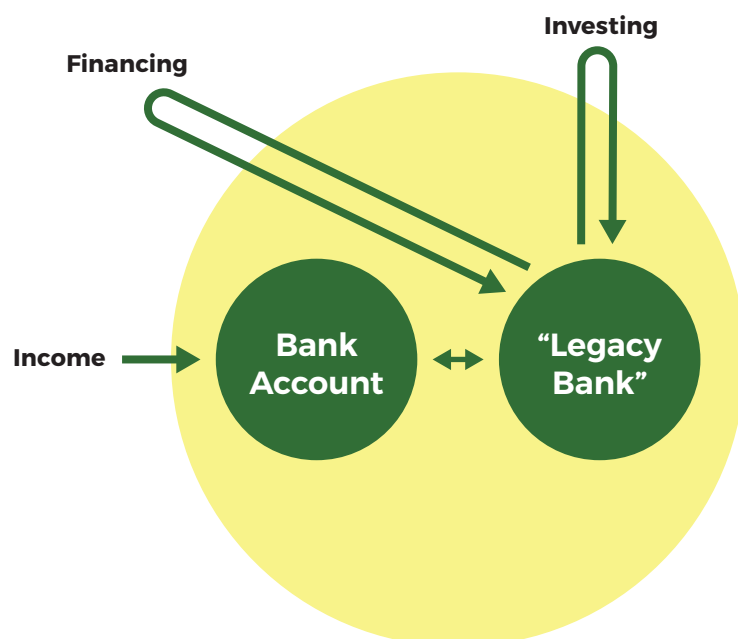
The Personal Economy



With the “Legacy Banking” Process more of your money is kept; money that would otherwise be paid out in interest, taxes, avoidable expenses, and not earned due to paying cash, is kept to grow wealth. The overall “Personal Economy” becomes a net positive rate of return instead of just relying on the ups and downs of the savings and investments part - - the small part. With dollars doing multiple jobs at once, each dollar is more valuable. There is no ceiling on the rate of return.

How Policy Loans Work

Taking Ownership and Control Of Your Personal Economy.



Policy Loan Availability is Contractually Guaranteed

It is “money on demand”, no questions asked, to finance anything or invest in anything.

If the use of the loan is for a tax deductible expense, the policy loan interest is also deductible. (This is not intended as tax advice.)

The “Legacy Banking” manual shows how to use policy loans safely, simply, and effectively.

This is how “Legacy Banking” uses policy loans to recoup the interest that would be paid to banks.

What’s unique about a policy loan is that it’s a collateral loan.. it’s a lien against the policy values.

The cash value is still in the policy earning full interest and dividends. 100%. Including on the borrowed amount.

That means there is always Uninterrupted Compounding of the full cash value and dividends.

When a loan is paid off, the cash value will always reach the amount it would have

grown to if no loans were ever taken.

The only way that can happen is that the policy loan interest that is paid is used to fund the policy’s growth. By design, the growth never stops. The compounding never stops.

Here’s why: Companies don’t profit off the owners. The owners profit from their companies. The company is a “mutual” life insurance company. It is owned by the policy owners and is run for the benefit of the owners.. the

policy owners. Operating cost is tightly regulated for the policy owner’s best interests. That is not changed by policy loans.. they are provided as a service, not for profit.

In round figures, just as 80% of the company’s investment earnings go to policy benefits, 80% of policy loan interest that is paid goes to the policy. In effect, paying the interest to yourself. That’s why it all works the way it does... in the owner’s, the policy owners, best interests.

How Policy Loans Work

Here we illustrate a policy loan along side a conventional bank or credit union car loan. Both are \$25,000 loans, for 5 years, at 5% interest. The payments are \$472 monthly, the standard bank or credit union payment for this loan. The loan payments come from income either way. The difference lies in where they go and what they do for you.

Each policy loan payment, principal and interest, restores cash value. This illustration has no premium deposits being made. The cash value growth is from interest, dividends, and loan payments that act just the same as making deposits.

The difference in how loan interest is applied results in the policy loan being paid off sooner than the bank loan, and with saved payments.

Policy Loan				Conventional Bank Or Credit Union Loan	
End of Year Loan Balance	Annualized Loan Payments	End of Year Cash Value	End of Loan Year	End of Year Loan Balance	End of Year Loan Payments
\$20,303	\$5,664	\$61,723 ✓	1	\$20,486	\$5,664
\$15,371	\$5,664	\$67,631 ✓	2	\$15,741	\$5,664
\$10,192	\$5,664	\$73,853 ✓	3	\$10,754	\$5,664
\$4,754	\$5,664	\$80,417 ✓	4	\$ 5,511	\$5,664
\$0	\$4,754 ✓	\$86,326 ✓	5	\$0	\$5,664 ✓

As policy loan payments restore cash value, Velocity power is created. Those dollars, including the recouped interest, may be used multiple times over the 5 year period, and all the years beyond. Each added use multiplies rate of return exponentially.

Payments coming in go right back out, over and over again; earning the bank over 34% on this loan. You can do that too.

The conventional loan cash flow has only one use and is fully consumed during the loan period: 100% goes to pay principal and interest to the bank until the loan is paid off. That money, and it's earning power, is gone forever.

Policy loans retain control of, and compounding of, your savings...
your capital. And it's the only known way to do that.

You Should Know How I Get Paid

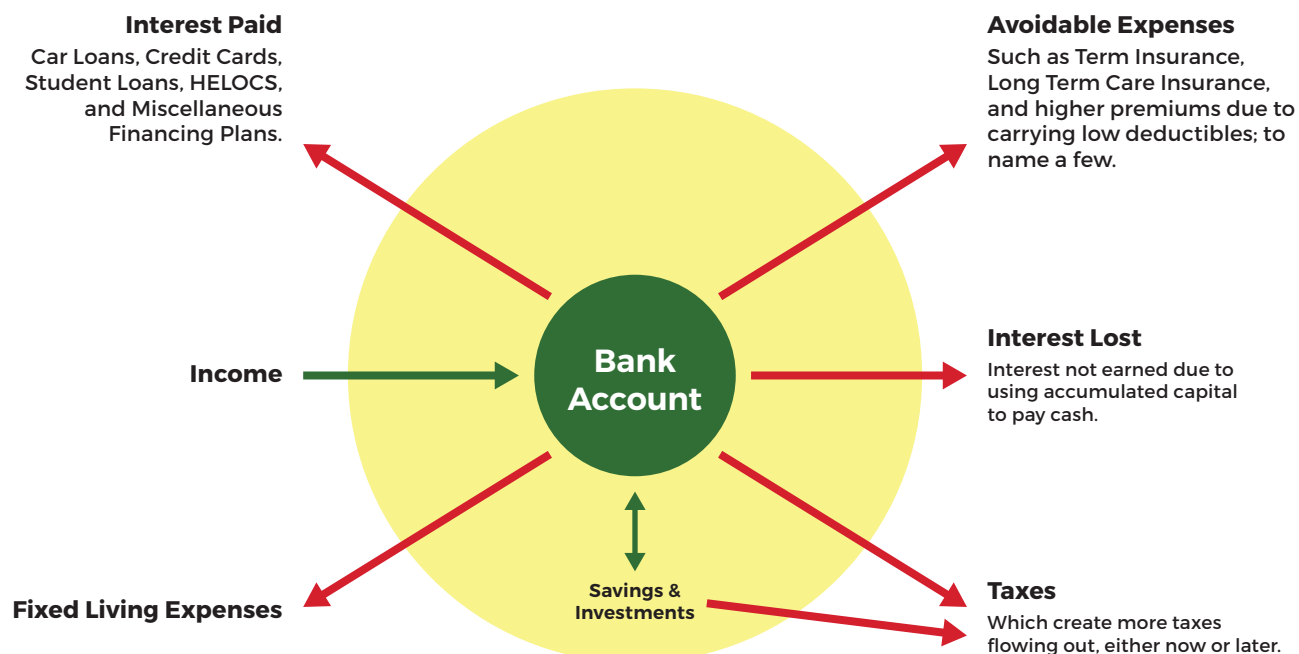
I do not charge fees for service, not for start up or ongoing service. Ever.

If I show you a product that you determine is in your best interests, and you decide to obtain it, I simply ask that you obtain it through me. Then, they pay me.. you do not.

The other thing is this. You know people who would benefit from this but would never hear about it unless you told them. What I request is that, if you deem it appropriate, you introduce them to me, directly or indirectly, so they may have the opportunity to evaluate it for themselves. To make their own decision. ©

As This Diagram Demonstrates, Installing a “legacy Bank” in Your “personal Economy” Can Be the Most Powerful Financial Move You Could Make.

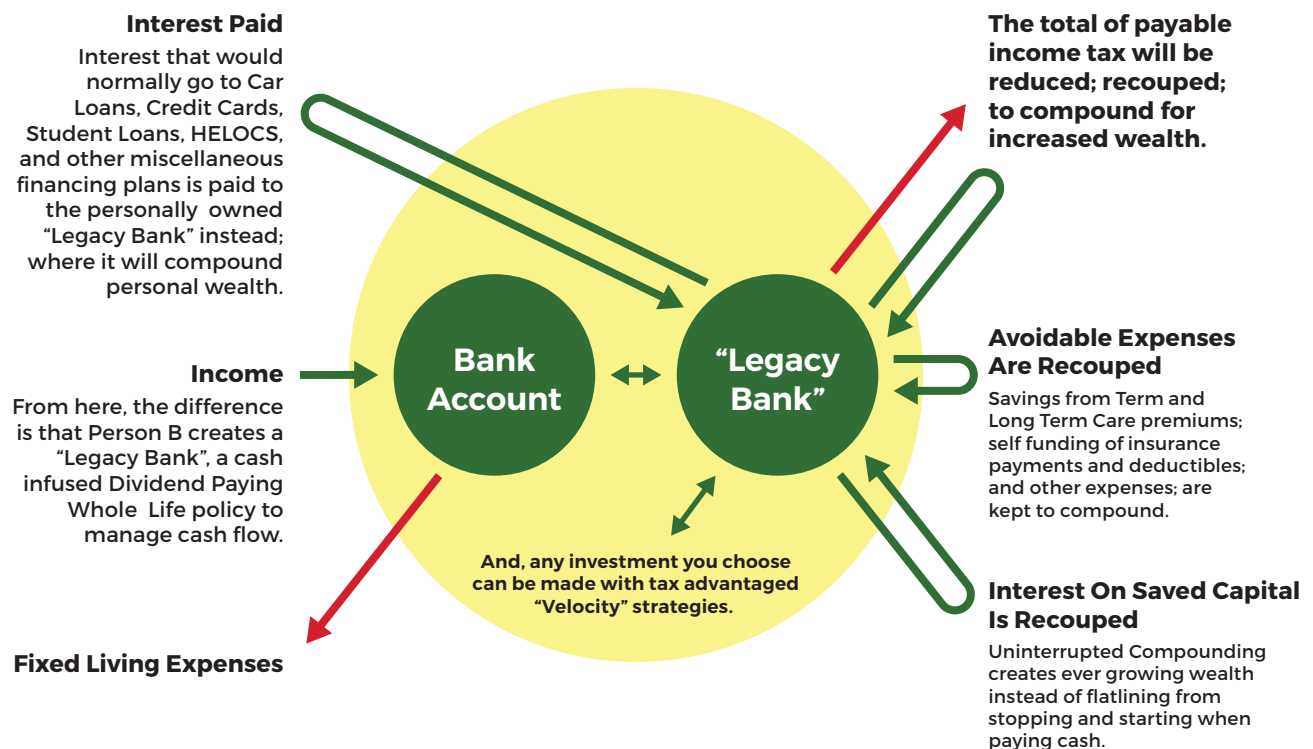
The Personal Economy



The flow of our money out of our Personal Economy is the predominant result of how we do things, making the Personal Economy an overall net negative rate of return. Just the tax and interest costs that we create each year.. by our own actions.. offset, and likely exceed, the interest and growth we earn each year.

All of that money is gone forever, along with all the wealth it could have accumulated if it was kept and compounded.

The Personal Economy with “Legacy Banking”



With the “Legacy Banking” Process more of your money is kept; money that would otherwise be paid out in interest, taxes, avoidable expenses, and not earned due to paying cash, is kept to grow wealth. The overall “Personal Economy” becomes a net positive rate of return instead of just relying on the ups and downs of the savings and investments part - - the small part. With dollars doing multiple jobs at once, each dollar is more valuable. There is no ceiling on the rate of return.

Would you like to see the details and how it would work for you?

How to Spend the Death Benefit While Living



The policy has two parts, the cash value and the death benefit.

Subtracting the cash value from the total death benefit, we determine the amount called the “net death benefit”.

The cash value and the “net death benefit” are both fully guaranteed, making them separate permanent assets.

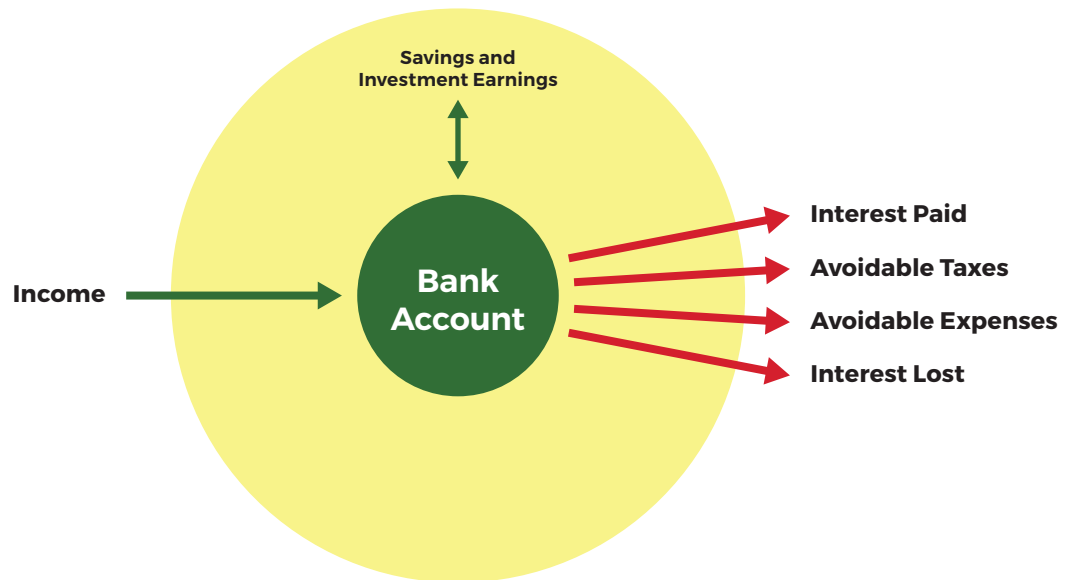
Being a fully guaranteed permanent value, an asset, the “net death benefit” can be safely leveraged; that is, spend down other assets, such as home equity, which would be fully replaced upon death when the death benefit is paid. It is a tax free income transaction.

How to spend the death benefit while living is fully explained in the “Found Wealth” manual given to all of our clients. This is a decision that would be made at or into retirement, or the onset of a terminal illness, based on the known health and financial conditions that exist at that time.

Note: The “net death benefit” is an asset that would not exist by owning Term insurance. Term, Universal Life, and Indexed Universal Life insurance, by their contractual design, do not provide a lifetime guarantee. This eliminates them as a leverageable asset.

Rate of Return

The Personal Economy



All our financial actions are inter-related. So, going back to the principle of Macroeconomics, viewing our financial actions through a “microscope” lens can be misleading by missing some key elements.

This is true with rate of return. The “micro” view, focusing only on the amount earned on investments, misses the rate of return destroyers that naturally exist within the Personal Economy... avoidable and recoupable costs and their related opportunity costs; and, it totally misses out on the power of Velocity of Money.

For example, as financial expert Andrew Tobias said, “not having to pay 15% on a credit card is as good as earning 15%, tax free, risk free”.

A steady market rate of return adequate to offset the total of interest paid out, the opportunity cost of interest paid out, the opportunity cost of paying cash ... plus provide the growth levels we hope for... is likely unattainable. The Personal Economy operates in the negative.

It takes cash on hand to avoid the costs of debt. After tax and inflation, money in savings loses 2-3%, pulling down the rate of return in the savings and investment sector significantly.

Every dollar paid on taxable savings and investments decreases rate of return by the tax paid, plus the opportunity cost on the tax paid.

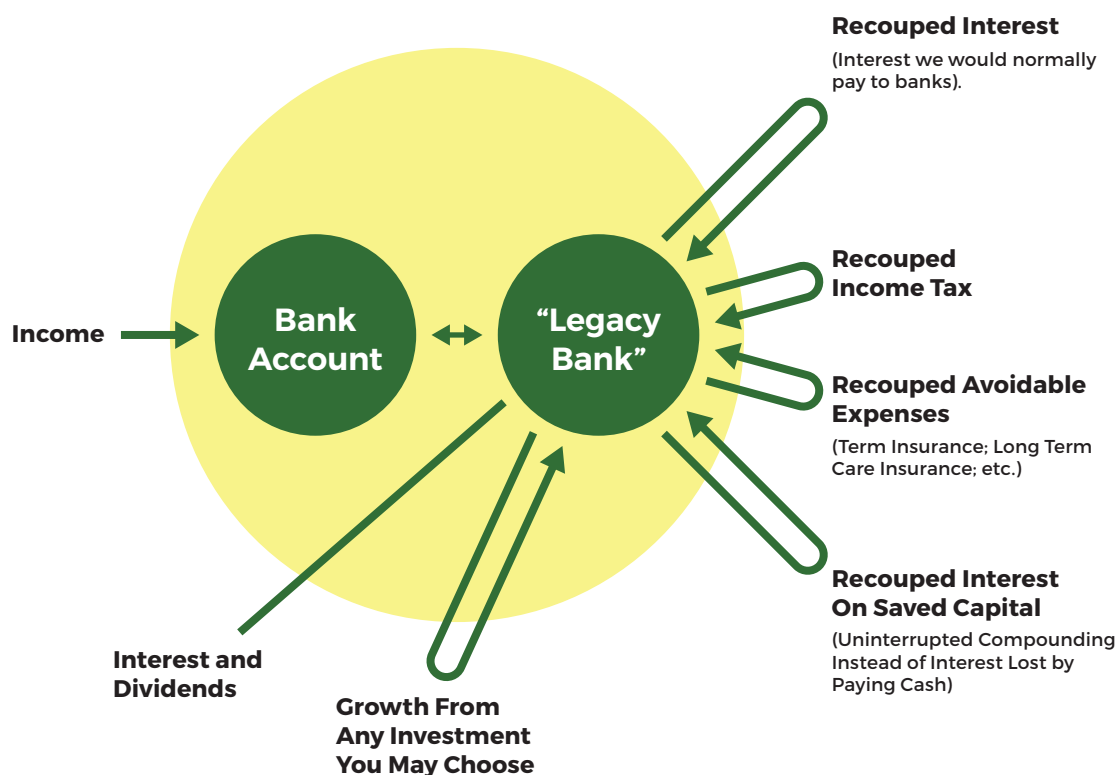
Every dollar of retirement income from 401k and IRA type plans is taxed in full, significantly reducing the net spendable rate of return.

In addition to all of that, market fluctuations have a powerfully negative impact on rate of return averages.

Can we reasonably expect that investment returns will offset these costs, plus their opportunity costs, and also provide the growth we need and want?

Here Is How Actively Using the “Legacy Banking” Process Impacts Total Rate of Return

My Personal Economy



“Legacy Banking” is a process, not a product.

It uses a cash infused Dividend Paying Whole Life policy as the vehicle, a tool, to recoup costs that would otherwise occur. Nothing else can do that.

Total Rate of Return is derived from the interest and dividends the policy earns, the “internal” values, plus the values derived from how it is used, the “external” values.

Combining its internal values, external values, the Velocity of Money Multiplier Effect, plus the death benefit that comes with it, there is no ceiling on the “Legacy Banking” Rate of Return.

Every dollar from external uses adds to the overall Rate of Return as it compounds for growing wealth.

Average Rate of Return

Investments are often touted, and compared, stating their “average rate of return”.

Projections of future values, for comparison and decision making, are made on them.

Is it safe to assume, then, that they are a reliable gauge for important financial decisions?

Here are some numbers to check out:

Beginning Account Value: \$50,000			
Year	Annual Return	Annual Gain/Loss	End of Year Value
1	40%	\$20,000	\$70,000
2	20%	\$14,000	\$84,000
3	-30%	\$-25,200	\$58,800
4	10%	\$5,880	\$64,680
5	-5%	\$-3,234	\$61,446
Average Rate of Return: 7%		Annual Rate of Return: 4.21%	

It makes no difference what order these returns occur in. The result is always the same.

The only time that the stated average will be correct is when the yearly return is the same each year.

Since market based investments are never level, their stated average will always be less than stated. Sometimes substantially less.

We are not suggesting that investments not be made.

We are saying that all savings and investment plans, from simply putting money into a 401k or IRA plan to the most sophisticated investment portfolio arrangement, must first overcome the financial drainage that exists within every Personal Economy before a dime of real profit is achieved.

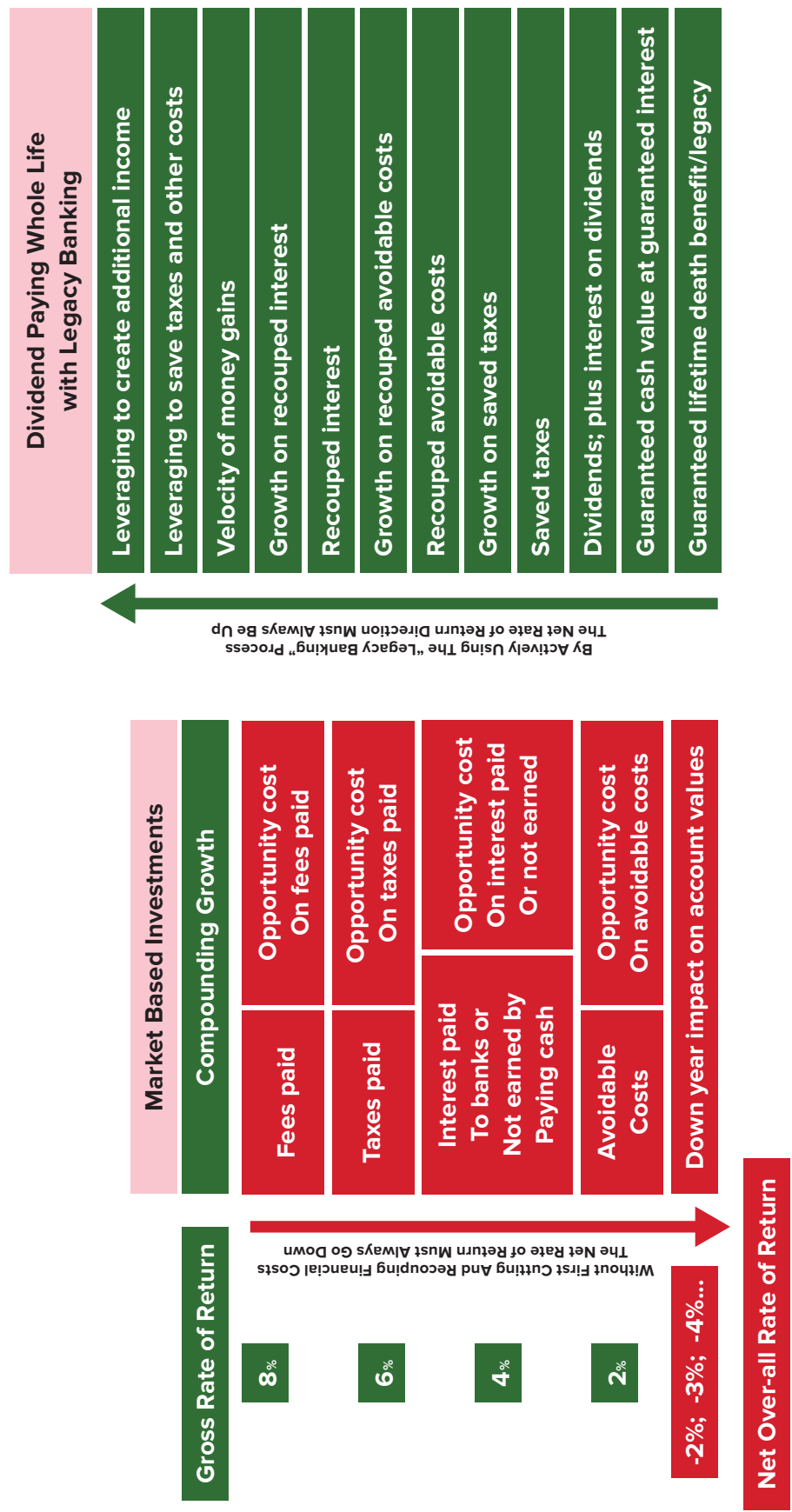
As they say in the emergency room, “first, stop the bleeding”.

To again reference Andrew Tobias, recouping avoidable costs and their opportunity cost is as good as earning a high rate of return on investments.

Better, since it is done with no risk and no tax.

Actively using the “Legacy Banking” process removes any perceived ceiling on the “Legacy Bank” rate of return. Here is a deeper look into how financing the things we buy does that.

Here's a side by side look at how net investment rates of return compare to active "Legacy Banking" rates of return, when normally recurring costs are accounted for.



It's the only known way to do it; and it does so with no additional costs or risk.

Making it Work: Using Asset Allocation Within a “Legacy Bank”

While cash values in the policy are a single pool of money, this graphic illustrates what active “Legacy Bank” usage can look like.



With the “Legacy Banking” process you can finance anything you choose and invest in anything you choose.

We are not suggesting that the sectors be equal. Being “your own banker” this is entirely an individual decision.

The safe money sector alone can provide a competitive net spendable lifetime retirement income, making market risk optional.

It would seem prudent that self financing our needs and wants, and having safe money in the amount of personal preference, be fulfilled first.

The “Legacy Banker” is always in charge of determining “is my money better off working for me inside or outside my “Legacy Bank”?”

Allocations can be determined by total available assets, total available cash flow, wants and needs, personal goals and preferences, and risk tolerance.

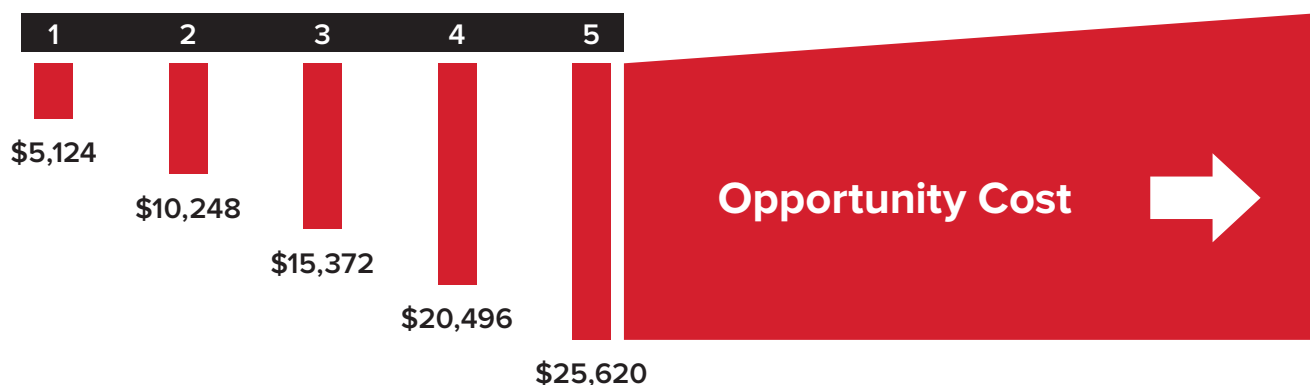
The “Legacy Banking” manual provides more information, along with record keeping worksheets, to help manage the “Legacy Bank” effectively. Also, we are happy to provide ongoing coaching.

Comparison: 1% Car Loan vs. 5% Policy Loan

Standard bank or credit union car loan of \$25,000 at 1% Interest for 5 Years.

Payment: \$427 Per Month

Here is the year by year accumulating outlay:



Each payment, 100% of principal and interest, is money flowing out of the Personal Economy to the bank.

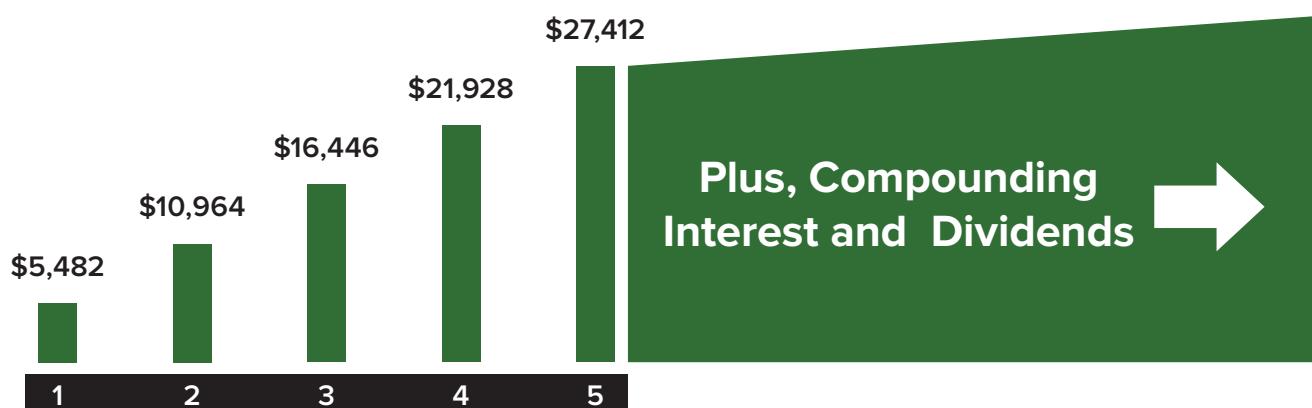
The money is gone forever. With opportunity cost on all of it.

In the Opportunity Cost segment, we saw the large amount of opportunity cost from paying cash for a car. This is paying cash on the installment plan.

Comparison: 1% Standard Car Loan vs. 5% Policy Loan

\$25,000 Policy Loan at 5% Interest for 5 Years

Payment: \$456.86 Per Month. (Policy loan payments are self-structured. This is the amount to pay off the loan in 5 years.)



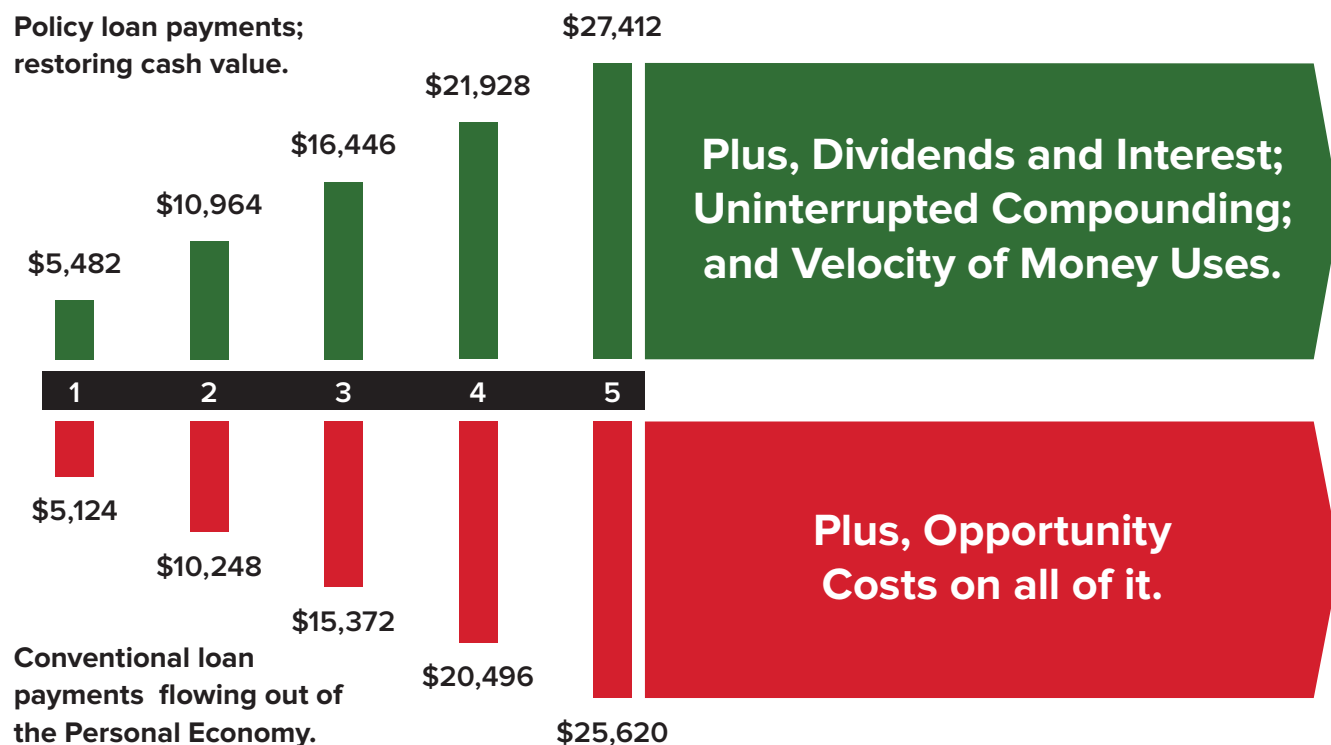
Policy loan payments restore cash value. This graphic illustrates the yearly accumulating amount that is restored, and available for use, for any new needs or wants that may arise.

Due to interest and dividends being credited, and compounded, the cash value does not increase in equal level amounts. For simplicity, only the policy loan payments going into cash value over the 5 year period are shown in this graphic.

The key take away is that each loan payment is money flowing back into cash value... the Personal Economy.

The policy owner holds financial power... control of capital (savings), and its Velocity of Money potential... at all times.

Side by Side Comparison of Results: 1% Standard Car Loan vs. 5% Policy Loan



This graphic demonstrates the difference between a policy loan (a collateral loan) and a conventional loan.

We need to satisfy our wants and needs for as long as we live. How we pay for them makes all the difference in the world.

Which position would you prefer to be in? “Legacy Banking” gives you that choice.

The True Cost of Paying Cash

Starting with the obvious, it takes cash to pay cash. The Opportunity Cost of paying cash begins with having money in savings. With an interest rate of .5%, after tax and inflation there’s an annual loss of at least 2% to 3%.

Then, when the money is spent, gone forever, there is Opportunity Cost from interest lost: that is, all the interest your savings could have earned if it was kept to compound in the best available alternative.

Then, another Opportunity Cost cycle starts when cash flow refills the savings account for the next major purchase. This is called “interrupted compounding”. The upward compounding curve that could have happened, cannot happen.

All of this is validated as Opportunity Cost by the existence of the alternative, “Legacy Banking”.

That money could have been in a “Legacy Bank”; earning interest and dividends, and providing the death benefit, while also being available to self-finance and recoup interest lost by paying cash or lost by paying interest to banks.

All with the same dollars at the same time... “Velocity of Money” benefits that are built into the process.

How much is at stake here? Let’s look at that.

To demonstrate, let’s say you have a starting savings account balance of \$50,000.

To avoid paying interest, the plan is to use that account to pay cash and then refill the account for future needs.

At an account interest rate of 4%, here are the results of the “put and take” strategy over a 30 year period.

Drain The Account	Years To Refill	Future Account Value With Interrupted Compounding	Future Account Value With Uninterrupted Compounding	Difference
1	4	\$138,623	\$162,170	-\$23,546
7	4	\$54,080	\$162,170	-\$108,090

* Such as buying a car and having other major expenses such as property and income taxes, vacations, home maintenance, home refurnishing, and other costs every 4 years.

While the numbers are accurate, they are hypothetical, since we cannot know how one would actually manage their savings account and cash flow. They do vividly show us the significant cost of paying cash; cost with a real impact on retirement; cost that must be accounted for if we are to make accurate and effective cash flow decisions.

The “Legacy Banking” process, with Dividend Paying Whole Life, always achieves Uninterrupted Compounding values because policy loans are collateral loans: the cash value borrowed against still earns full interest and dividends; the loan payments act the same as making deposits, restoring cash value; and, loan interest paid is used to fund the contractually guaranteed cash value growth. It is the only financial product in existence that does that.