

BANKNOTES

August 2023

The Nelson Nash Institute Monthly Newsletter

Correct Classification - Clarifying the Marketing Language of Infinite Banking

Having been blessed beyond measure to have spent so much time with Nelson, I'll be quoting him frequently throughout this article.

As we continue our mission at the Institute to educate the general public, practitioners, and life insurance company's about the Infinite Banking Concept, it is crucial that we uphold the integrity of what Nelson developed by using accurate and appropriate language in all our communications.

For some time, there has been a growing and concerning trend in misleading marketing that blurs the lines between a life insurance contract and the Infinite Banking Concept. As practitioners, and as an Institute, it is our duty to set the record straight and ensure that our clients and potential clients understand the clear distinction between what they are **buying** and what they are **implementing**. More recently, we've been informed of an increasing number of social media marketing videos, reels, and shorts using catchy phrases such as yes, you can buy an "Infinite Banking Policy", "Be the Bank", and "Be your own Bank", etc..

In light of all these and other misrepresentations, we at the Institute are taking steps to begin regaining quality control of the trademarked Infinite Banking Concept, Becoming Your Own Banker and all associated intellectual property. We are undertaking this initiative for the benefit of all stakeholders, particularly our rapidly growing Authorized Practitioner Community. Our commitment to you, our Practitioners, and to all stakeholders is unwavering. As we begin taking these important steps, we invite each of you to join us in the pursuit.

Nelson said it best ... ***"There are probably thousands of such examples of misclassification that we run into every day but they probably don't increase the quality of our lives. Instead, they limit our thinking and lead us to wrong conclusions. Words are powerful things!"*** Page 39, Becoming Your Own Banker.

For clarity, Infinite Banking is not a product; it is a process. Nelson

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INSTITUTE

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did not encourage people to become an institution (i.e. Be the Bank or Be your Own Bank). In fact, he developed 6 Golden Rules, with number 4 being "Don't do business with Banks". What he did encourage others to do was become their own banker. Remember, words are powerful things. In other words, Bankers are not banks, they're one of four characters in the financial play, (depositor, borrower, banker, bank owner) who all play a role in the process of banking.

This distinction is not just a matter of semantics; it goes to the heart of what the Institute stands for and the process Nelson pioneered.

"This is an exercise in IMAGINATION, REASON, LOGIC AND PROPHECY" - R. Nelson Nash

Using catchy phrases like "Infinite Banking Policy" "Be the Bank", "Be your own Bank", etc. are not only misleading and inaccurate, it implies that Infinite Banking can be purchased as a standalone product, which is simply not true. The best entity (or tool as Nelson often said) to get the job of Becoming Your Own Banker done is a dividend paying whole life insurance policy, or a system of policies, ideally with a mutual company. That being true, which it is, there is no such thing as a "Infinite Banking Policy". There is only The Infinite Banking Concept, a process of controlling HOW you finance the things you'll need to purchase throughout your lifetime

Let's be unequivocal in our message: when someone purchases a dividend paying whole life insurance policy, they are acquiring a product offered by reputable life insurance companies. This product, while valuable in itself, is not Infinite Banking.

"People need to understand The Infinite Banking Concept has absolutely nothing to do with Life Insurance." - R. Nelson Nash

The consequences of using incorrect language in our discussions and marketing efforts can be far-reaching. Firstly, it may create confusion among the general public, leading them to believe that Infinite Banking is merely a product they can purchase. This misconception not only misrepresents the true nature

of the concept but also puts individuals at risk of making ill-informed financial decisions.

Secondly, presenting Infinite Banking as a purchasable product may inadvertently raise red flags with regulatory bodies, and home office personnel at Life Insurance Companies. As you may know, Nelson often emphasized that sensationalizing the concept draws unwanted attention from those who we need on our side.

Most importantly, commingling words into catchy phrases such as the ones listed in this article damages both the reputation and credibility of the Nelson Nash Institute and all our fellow Practitioners. We are working diligently to build trust and credibility within the industry, and we must ensure that our communication aligns with the true essence of Infinite Banking as a process.

"This concept does not need to be sensationalized. In fact, it is ridiculously simple." - R. Nelson Nash

To avoid any confusion or misrepresentation, we encourage all authorized practitioners to communicate this distinction openly and transparently.

When engaging with clients and prospects, it is important to:

Educate with Clarity: Clearly explain the nature of a dividend paying whole life insurance contract and the benefits it offers while discussing the topic of life insurance. When discussing the implementation of the process, communicate that the Infinite Banking Concept is entirely distinct from the purchase a life insurance policy. And if you are an agency owner (IMO, AGA, GA or Producer Group), we encourage you to have all of your licensed representatives enroll in the practitioner program to ensure that your Team members are all receiving the same messaging and support from the same source.

Highlight the Process: Emphasize the truth that Infinite Banking is a process that empowers individuals to become their own bankers and to reclaim the banking function in their lives from outsiders.

Integrity in Marketing: Ensure that all of your marketing materials accurately represent Infinite Banking as a process, not a standalone product. Avoid misleading language that may confuse or mislead potential clients. We can always be better, including yours truly. In fact, entering my sixteenth (16) year specializing in this process, I still recall early into my own journey, sensationalizing the message, placing a high degree of emphasis on illustrations, etc. It was what I learned to do and I didn't know what I didn't know. It wasn't until I experienced a woodshed moment with Nelson where he coached me on the reasons why all that simply wasn't necessary. Then I truly understood what he said so often below.

“The more you see Infinite Banking Concepts, the more you'll see you didn't see.” - R. Nelson Nash

License Protection: Misleading marketing not only damages the credibility of the Infinite Banking Concept but can also put an advisor's life license at risk. By adhering to ethical practices and accurate representations, we honor Nelson's message, protect our professional standing and preserve everyone's ability to earn a respectable living.

Shed Light on the Issue: Educate the public about the misleading marketing practices that exist in the financial world. By bringing attention to this issue, we empower clients to make informed decisions based on factual information. At the Institute, we are certainly beginning to shed light on the issue internally and externally, giving all individuals that we make contact with the opportunity to make the required adjustments and / or as a last resort, trigger the pursuit of all available remedies to protect the intellectual property of Infinite Banking Concepts LLC., and the Institute.

Let's all continue to shine a bright light on the problem so that when we present the solution—the Infinite Banking Concept—it will be crystal clear and our prospects will know exactly what to do. By educating our clients and the public about the truth of Infinite Banking, we enable them to rethink their thinking and to go about their financial lives in a

position of total and absolute control.

Collaboration with Life Insurance Companies: We need the support of life insurance companies by accurately representing The Infinite Banking Concept. At the Institute we are engaging in open dialogues with several companies in America and Canada, providing them with accurate information right from the source in order to understand the concept better, the marketplace conduct that is both encouraged and not supported, etc.

Compliance: We plan to work hand in hand with industry stakeholders to demonstrate our commitment to ethical and accurate marketplace conduct.

By collectively addressing this issue and focusing on what we can control, which is aligning our language with the true essence of Infinite Banking, and pursuing recourse on a case by case basis, we will work hard for you, and everyone affiliated with the Institute to safeguard the integrity of the concept and the practitioner community so that we may all continue to positively impact the lives of people across North America.

Thank you for your ongoing dedication to what Nelson pioneered ... The Infinite Banking Concept, the process of Becoming Your Own Banker.

Together, we are making a lasting difference in a very noisy financial world.

Never above, never below, always alongside,

Jayson Lowe,
Advisor to the Board
Fellow Practitioner

Money Pools

By L. Carlos Lara

Borrowing and lending is as old as mankind. The primary reason for this is because at some time or another, we all want something, but we don't have the money to acquire it. We need someone to help finance it for us. We need *credit*.

It was this need for credit that gave rise to the very first banks during the Middle Ages. It all started when Italian grain merchants began extending credit on their own goods and charging a fee (interest) for the delay of payment. In the beginning, banking was originally intended for financing long trading journeys; these methods were later applied to finance the production and trading of grain. Over time this activity became known as “merchant banking.”

It was the Jews, however, who expanded merchant banking to the next level. Displaced Jews fleeing Spanish persecution were attracted to the banking business, but were not allowed to own land. They entered the great trading piazzas of Italy as unlikely competitors and set up their benches alongside other Italian traders of crops. But they had one great advantage over the locals—Jews were not subject to the Church's laws against charging interest. Consequently, the Jewish trader quickly flourished and soon began performing both financing (credit) and underwriting (insurance) functions.

The merchant's “banco” (bench or counter) progressed from financing trade on one's own behalf to settling trades for others and then holding deposits for settlement of notes. These notes came to be known as *bills of exchange*, and later still, became the *check*. If someone lost his traders' deposits, the business arrangement would obviously fail. In effect the failure “broke the bench”—*banca rotta*. The term's meaning is where we get our word “bankrupt.” Being “broke” has the same connotative meaning.¹

Of course we are a long way from these early beginnings of banking. Banking has changed considerably. The rise of trade and industry

throughout the world in the 19th century led to the development of powerful merchant banks culminating in the likes of J.P. Morgan & Company here in the United States. In modern times the financial establishment has outgrown the small family- owned merchant bank of long ago. Corporations now dominate the banking business. Yet in the midst of this spectacular growth and expansion over the centuries, many rural communities are often excluded from the ability to tap into these sophisticated financial institutions. It was this way long ago and in many respects is still the same today. Nevertheless, man's wants are unlimited and the need for credit (money) is insatiable. Man always seems to find creative ways to obtain it.

A Bunch of “Hui”?

Denied access to conventional bank sources, Mexican immigrants in California, Texas and other states are known to start their own *loan pools* called *tandas*.² Asian immigrants have access to something very similar. The Chinese use loan pools known as *Hui*, the Vietnamese call them *Hoi*, *Tanomoshi* in Japanese and *Kye* in Korean. These groups all trace their roots to small village culture. Their unique financing system has been passed down from generation to generation. This is how their ancestors seem to have made all of their major life's purchases, such as farm equipment, homes and weddings. But today, in our modern age, these tightly knit *cooperatives* are being used to help launch small businesses for aspiring entrepreneurs who seek the American dream. How does the concept work? —Surprisingly simple.

One individual will start out by recruiting the group's honorable members (usually 10 to 20 members). This person becomes the *hui master*. Previous experience as a group organizer actually makes recruiting of members easier since these clubs rely mostly on trust. Each member is required to put in a certain amount of money (let's say \$200) into a fund at each meeting (usually once a month). The *hui master* will then solicit secret bids from the members on how much interest each would pay for

that month's accumulated \$4,000. They continue to meet until all the members have won the pool and each earned a share of the interest. The highest bid takes the pot. Usually the higher bids in the group take the earlier rounds, but the *hui master* always gets the first round regardless and pays no interest. The tradeoff is that the *hui master* performs a valuable service. In addition to getting the club started he must act both as the *credit manager* to make sure everyone in the group is contributing, and the *lender of last resort* in case someone fails to make their regular deposit. If one of the members does not make their committed payment, the *hui master* must cover it himself. Although transactions really are based on trust, the *hui master* must be sure to recruit members of high integrity because some pools can reach up to \$500,000 and members may become tempted to cheat.

According to one author, Lionel Haines:

"Very little is known about the extent of this invisible banking system. Participation may be as high as 75 percent of all entrepreneurs in some communities, decreasing as the community gets used to American financing methods.

*Even though there are no credit checks, very few clubs fail—at least not in tightly knit communities. Every bank in America would kill for their clout. Defaulting means social suicide."*³

Actually, this *invisible banking system* works because of the sociological concept known as "*social capital*."⁴ This refers to the value of social relations and how working together can lead to solving economic problems. It is in essence the very same concept that led to the formation of merchant banks discussed earlier in this article. We are simply seeing a smaller version of that development. Interestingly, a closer inspection of these money clubs reveals that they are nothing more than a form of forced savings.

Credit Unions

What we must recognize is that the development of all banking systems, from their early beginnings to

their most sophisticated forms in modern times, is that they can expand into enterprises that are either for *profit* or *not-for-profit*. The *non-profit* kind is not to be confused with charities or similar organizations that depend on donations, but rather that the profit, or surplus generated by these banking systems, is returned to their patrons. Such is the case with a kind of bank that developed in Germany in 1864 known as a *credit union*.

Rural communities in Germany, like rural communities everywhere, were viewed as unbankable by the more sophisticated banks in the cities because of their weak seasonal flows of cash. In order to access credit for himself and others, Friedrich Wilhelm Raiffeisen organized a group and created a pool of money that became the first credit union. In explaining what these money pools were, he wrote:

*"Credit unions are merchants...they accordingly form a sort of commercial business enterprise of which the owners are the credit unions' members."*⁵

By the time of his death in 1888 credit unions had spread all over the world. In fact, the Raiffeisen name is still used by *Reiffeisenbank*, the largest banking group in Austria with subsidiaries throughout Central and Eastern Europe.

According to a special research report on the economic impact of cooperatives that was published in 2009,⁶ the first credit union in the United States opened in Manchester, New Hampshire in 1909. By 1934 there were 1,100 credit unions in 32 states. When government began permitting federally chartered credit unions in states that did not have credit union laws, thousands of new credit unions were formed and spread throughout the country. As the industry developed it became more professional and created support institutions. For example: just as banks have the FDIC, credit unions formed their own self-funded insurance funds—the National Credit Union Share Insurance Fund (NCUSIF) for federally chartered credit unions and the American Share Insurance for state chartered credit unions. All

federally chartered credit unions and 95% of all state chartered credit unions are insured by the NCUSIF for \$100,000.

Also, in the same way commercial banks have an organizational structure that includes a central bank like the Federal Reserve; credit unions have the U.S. Central Federal Credit Union. To see the organizational structure properly, picture it as a three-tiered system with the CFCU operating in the top tier. It acts as a wholesaler providing support services to Corporate Credit Unions (CCU), which occupy the second tier. The Corporate Credit Unions, in turn, provide services to over 8,000 credit unions that make up the third and bottom tier.

The Central Liquidity Fund is a two member-owned supporting organization to the U.S. Central Federal Credit Union. The Central Liquidity Fund, as an arm to the CFCU, is the lender of last resort and provides liquidity during economic volatility.

The National Credit Union Association (NCUA) governs all three tiers of the credit union organization. This is a three-member board appointed by the President and confirmed by the senate.

Credit Unions now provide banking services to nearly one- third of all Americans and have 86.8 million members. Though they are much smaller than commercial banks with less than 2% of them having assets of more than \$1 billion, nevertheless, as a whole they hold \$774 billion in assets. While credit unions look like and provide the same financial services that typical banks provide, they have the two distinct differences. They are *not-for-profit cooperatives* with an IRS tax exemption status. Secondly, they return their earnings to their membership in the form of reduced interest on loans and increased interest on deposits, or they may reinvest earnings into the credit union.

It is helpful to know that there are alternatives for banking services other than the volatile commercial banks. If you are serious practitioner of IBC, it is possible that you already only use banks for the convenience of a checking account or debit card.

Credit Unions, as we can see, may present a good alternative for those purposes. It may be well worth the time to pay a personal visit and check them out.

As I was researching and writing this article, I took a few minutes and contacted a local credit union in my neighborhood. Over the telephone I asked the receptionist if I needed any special qualifications to join as member and she said, “No—anyone can join.” Apparently, what once began as a closed membership association for certain groups, such as teachers, religious or community organizations is now open to all. I asked if they provided the same services typical commercial banks provide, such as checking and savings accounts, mortgage loans, debit cards, credit cards, online banking and CDs and she said “yes.” “Do you provide investments, such as mutual funds, life insurance and other types of securities,” I asked? She said “we provide all of that too.”

Unbelievable, I thought— all this from a bunch of *Hui!*

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More Pondering On Social Security

Originally Published in October 2018 by R. Nelson Nash

Earlier in this series of articles I wrote a little bit about Social Security. But, it kept haunting me that there is much more that needs to be revealed about this unbelievable con game. And so, I offer just a few additional facts about it and my observations of human financial behavior because of it.

For instance, recognize that President Kennedy and Sergeant Shriver were the first ones to misuse the Social Security account. They used Social Security funds to start the Peace Corps. This was not the first or last time our money has been taken from American citizens and given to foreign nations.

Here are some things every U.S. citizen should know and remember about Social Security and the changes that have been made. Start with a short history lesson on Your Social Security Card just in case some of you didn't know this. It's easy to check out, if you don't believe it. Be sure and show it to your family and friends. They need to recognize and understand what has happened.

Social Security Cards up until the 1980s expressly stated the number and card were not to be used for identification purposes. Since nearly everyone in the United States now has a number, it became convenient to use it anyway and the message, NOT FOR IDENTIFICATION, was removed. What happened to this government promise?

Franklin Roosevelt introduced the Social Security (FICA) Program and it was signed into law in 1935, becoming operative in 1937. To make his idea more palatable to citizens he promised that participation in the program would be completely voluntary. It is no longer voluntary.

Promises, promises!

Participants would only have to pay 1% of the first \$1,400 of their annual Incomes into the Program. In the double speak Federal Programs use they

say, "The employee pays half of Social Security "contributions" and the employer pays the other half." This is utter nonsense!

In an interview with Jesus Huerta deSoto at the Mises Institute a few years ago deSoto said, "No matter what the law says about how employees and employers share the burden of contributing to the system, from an economic point of view, the worker pays the whole tax. Mises first developed this insight in Socialism, where he said social insurance contributions always come at the expense of wages

You see, the Government doesn't like to be confused by facts!

So, that is currently a total tax of 12.4% on the first \$128,400 that you earn. That's a rather significant increase from the original promise, isn't it?

Money the participants elected (?) to put into the Program would be deductible from their income for tax purposes each year. Now it is no longer tax deductible. Did you notice how governments change the meaning of words? Participants do not elect to put into the program — they are required!

The money the participants put into the independent 'Trust Fund' (?) rather than into the general operating fund, would only be used to fund the Social Security Retirement Program, and no other Government program.

Under President Johnson the money was moved to the General Fund and spent!

No one has ever written a check to Social Security. All such "contributions" are made to the United States Treasury. That money is spent. Worthless "IOUs" are put into a file in a cave in West Virginia. Essentially, they are saying "these IOUs will be repaid by future generations." Welcome to the USA, young folks!

Another of the broken promises is that the annuity payments to the retirees would never be taxed as income. Now up to 85% of your Social Security can be taxed.

In the event you do not believe or understand the

validity of the above truths then you can easily find them with very little effort.

Have you noticed the incremental pattern of these changes? It reminds me of the “boiled frog” story.

Another established fact is that most Americans (and you are one of them) have been “led down the primrose path” toward putting money into “tax-qualified retirement plans” — 401-K plans, HR-10 or IRA plans — with the thought that such plans are a safe place to accumulate money for your retirement.

And you paid a CPA or your favorite “financial adviser” who insisted that you “put the maximum allowed” into these plans!

Do you believe in the Tooth Fairy, too?

In nations throughout the world, history has proven that funds in such retirement programs are the easiest place for politicians to steal. Do a little homework! Check out where Brazil got the money to build their capital city, Brasilia, in 1960. (Hint: They confiscated reserves on pension funds). Do I have to mention Argentina?

Consider this thought: When government creates a problem for citizens (onerous taxation) and then turns around and grants you an exception to the problem they created (any tax-qualified plan), aren't you just a little bit suspicious that your mind is being manipulated?

Have you ever read the IRS Code? Do you know anyone who has? I understand that the first nine pages describe “income.”

The next 2,600 pages are exceptions to the code. To understand what the IRS Code is really saying all you have to do is read two or three of the exceptions and you can easily see their real message: We (the IRS) own everything you earn, and after our insatiable appetites are (temporarily) met, then you may keep what is left over!

And so, in my pondering, I keep asking myself, “How in the world is this stuff happening? How

did it all get started? What makes such irrational behavior possible? Why is it that the above facts are commonly known by people who can read yet they still believe that tax-qualified savings plans (?) are the safest and most efficient place to accumulate funds for their retirement?

It's unbelievable! Do you have any answers regarding why such things are happening?

Take control of your financial world by
Becoming Your Own Banker

[Find a Practitioner Near You](#)

The following financial professionals joined or renewed their membership to our **Authorized Infinite Banking Concepts Practitioners** team this month:

New Members

- Matthew Branch, Windsor, Ontario
- Jeffrey Spencer, Harrisburg, South Dakota
- Chris Wheatley, Arvada, Colorado
- Saul Windwar, Toronto, Ontario

Membership Renewals

- Fred Belcastro, Chicago, Illinois
- Jason Breit, Melville, New York
- Scott Crutchfield, Greenville, South Carolina
- Anthony Faso, Las Vegas, Nevada
- Braden Galloway, Anchorage, Alaska
- Michael Hansen, Ashland, Oregon
- Jason Henderson, Logan, Utah
- Jeffrey Iorio, Tucson, Arizona
- Brandon Jenkins, Jacksonville, Florida
- Teresa Kuhn, Austin, Texas
- Jayson Lowe, Edmonton, Alberta
- John Moriarty, Saint Louis, Missouri
- Joe Myers, Jacksonville Florida
- Scott Plamondon, Laguna Hills, California
- Bradley Raschke, Geneva, Illinois
- George Roth, Edmonton, Alberta
- Michael Sidhu, Vancouver, British Columbia
- Nicole Tate, Indianapolis, Indiana
- Jon VavraFong, Parker, Colorado
- Thomas Young, Beaver, Pennsylvania

Before you look for a practitioner, we suggest listening to the following two episodes of *The Lara Murphy Report*.

How-To Guide for Starting IBC, Part 1 How to begin your study of Infinite Banking, including finding an Authorized Practitioner.

How-To Guide for Starting IBC, Part 2 How to prepare for your first meeting with an Infinite Banking Authorized Practitioner.

You can view the entire practitioner listing on our website using the Practitioner Finder.

IBC Practitioner's have completed the *IBC Practitioner's Program* and have passed the program exam to ensure that they possess a solid foundation in the theory and implementation of IBC, as well as an understanding of Austrian economics and its unique insights into our monetary and banking institutions.

The *IBC Practitioner* has a broad base of knowledge to ensure a minimal level of competency in all of the areas a financial professional needs, in order to adequately discuss IBC with his or her clients.



THE FOUNDATIONS OF IBC

This online **video series** for the general public provides a comprehensive introduction to the *Infinite Banking Concept*.

The first four modules are free, you can view them here:
infinitebanking.org/foundations

The remaining eight modules are subscription-based, costing \$49.95 for all eight.

*Or contact an **Authorized IBC Practitioner** and ask for a coupon code that will enable you to watch all twelve modules FREE.*

Module 1: Introduction to the Nelson Nash Institute

Module 2: What the Infinite Banking Concept Is

Module 3, Part 1: How IBC Works

Module 3, Part 2: Policy Loans & The Nature of Collateral

Module 3, Part 3: How to Read a Policy Illustration

Module 4: Why Nelson Calls It The Infinite Banking Concept

Module 5: The Life Insurance Industry

Module 6: Why Not Buy Term and Invest the Difference?

Module 7: Using IBC to Pass Wealth to Future Generations

Module 8: The MEC Rule and Policy Design

Module 9: Does IBC Work for Older People?

Module 10, Part 1: IBC for the Business Owner

Module 10, Part 2: IBC for the Business Owner

Module 11, Part 1: Using Your IBC Policy: Premiums, Dividends, and Policy Loans

Module 11, Part 2: Using Your IBC Policy: Premiums, Dividends, and Policy Loans

Module 12: IBC as a Way of Life

*Contact an **Authorized IBC Practitioner** and ask for a coupon code that will enable you to watch all twelve modules FREE.*