March 2024

BankNotes

The Nelson Nash Institute Monthly Newsletter

The 2024 Annual Think Tank conference was the best one yet! The feedback from those in attendance was overwhelmingly positive:

"I really like that we are reinforcing the basic principles of IBC and structuring solutions that create the most safety and control for the client."

"Incredible event!"

"I love the format. It is a lot to take in in two days' time, but it is always motivating and powerful."

"This was hands down my favorite Think Tank of the five I have attended."

It was our largest Think Tank event to date with over 280 people in attendance. This year we saw:

• more guests personally invited by our membership
• more spouses and family members who work in the business with our practitioners
• new faces from our students and recent graduates
• existing practitioners who have never before attended a Think Tank
• returning veterans

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This was a milestone event in many ways aside from attendance. We recognized our council members with Nelson Nash Leadership Awards and presented certificates to 38 IBC Practitioner course graduates. Plus, it was the first time since we launched this event that we hosted it outside of our hometown of Birmingham, Alabama.

It is clear that our community and our message is growing. The energy, excitement and, most importantly, the passion for IBC and Nelson's message was alive and electric over the three days.

We launched a new session called "The Connection Zone." This created new relationships, allowed the 100 people in attendance to get clear actions they can implement into their business and create accountability towards their success over the next 12 months. It was very well received.

We also announced and launched the newest book from **Carlos Lara "The Perfect Investment" now available in our bookstore.** Get a copy today for yourself and for your clients!

Protecting the Brand

During the Think Tank, I showcased our new standards for practitioners and the community and discussed how we will intentionally be using our Intellectual Property law firm to strategically implement protection of Nelson's message and the Infinite Banking Concept trademarks. This is a multi-pronged and long-term approach that is intentionally designed to benefit all membership. Over the coming year, we'll be sharing more about our successes in this endeavor as we elevate our practitioners and what we stand for as an Institute.

NNI Announces Director of Communications and Marketing

The Nelson Nash Institute (NNI) proudly announces the appointment of **Leigh Stearns Barganier** as Director of Communications and Marketing. Barganier is the granddaughter of founder Nelson Nash and the daughter of David Stearns, CEO and Co-Director of NNI.

Bringing with her a wealth of experience in communications and marketing in a career spanning over 17 years, Barganier is poised to lead NNI's communications endeavors to new heights.
Before joining NNI, she served as the Director of Communications and Marketing at The Montgomery Academy, a distinguished college preparatory independent school located in Montgomery, AL.

In her new role, Barganier will assume responsibility for directing all facets of NNI's communications strategy and activities, leveraging her expertise to further the institute's mission and objectives.

"I am honored to work with my father as we carry forward my grandfather's visionary Infinite Banking Concept while advancing NNI's mission to empower individuals in reclaiming control of their financial lives by reinstating the banking function within their own hands."

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Companion Term: Building an On-Ramp to IBC System Expansion

by Ryan Griggs

The use cases and tradeoffs involved with purchasing standalone term life insurance for future conversion into IBC-style whole life.

Context

Long time readers will know that the primary focus of my writing here has to do with dividend-paying whole life insurance and its role in Nelson Nash's Infinite Banking Concept, or the IBC.

Today, we mix things up a bit and turn to term life insurance.

Believe it or not, there may well be a place for one or more distinct, standalone term life insurance policies, even if you approach the life insurance purchase decision from the perspective of the IBC.

It's called purchasing one or more "companion term" life insurance policies.

Even as I type these words I can see the puzzled faces. "What?! I thought the IBC was all about dividend-paying whole life. I mean, I get that there might be a place for a term *rider* on top of the underlying whole life policy to help with maintaining non-MEC status, but what's a separate term policy got to do with the IBC?"

I'm glad you asked.

Standalone term insurance from a mutual life insurance company may be a worthy component of your own implemention of the IBC since these policies are often convertible into dividend-paying whole life. Therefore, standalone term insurance can serve as a means of preparing for future IBC-style "system expansion" — meaning, the creation of new, IBC-style whole life insurance — all without the need for future medical and financial underwriting.

It's like building an on-ramp that you can later use to expand your total, IBC-style whole life premium payment authority.

Conversion Technicalities

What is conversion in the context of life insurance?

Conversion means to take temporary death benefit and make it permanent or to take permanent death benefit and make it temporary.

The default nonforfeiture option — or the thing that happens by default to your policy if its about to lapse — is often "Extended Term Insurance." This is an example of death benefit conversion from *permanent* to *temporary*. We don't often think of conversion in this context, but it is the most widely applicable, since Extended Term is so often the default nonforfeiture option on many policies. It's certainly the type of conversion we'd all like to *avoid*.

Of interest for our purposes today is the process of taking temporary death benefit and making it permanent.

We should make a very important distinction at this point.

Throughout this essay, I'm going to concentrate on the conversion of *standalone* term life insurance, not the conversion of a term *rider*.

You remember term riders. I cover them at length in Part Three of my **Whole Life Insurance Mechanics** lecture series.

Most mutual life insurance companies *do* allow the policy owner of dividend-paying whole life insurance to convert term rider death benefit into death benefit on a new, separate whole life insurance policy.

If so elected, the term rider comes off of the whole life policy. Coincident to the removal of the term rider, a new whole life insurance policy goes in force at the time of conversion. The starting age of the insured — or what we call the "attained age at issue" — is set equal to the insured's age *at the time of conversion*. So it's not as that the new, future whole life policy gets treated as though it had been in force the whole time. In the event that the terms and conditions governing the particular term rider in question allow it, the policy owner can initiate term conversion by contacting the company (or, hopefully, the agent that sold the original policy).

One of the reasons we're not going to focus so much on term *rider* conversion is that, very often, the term rider on the IBC-style whole life policy was put there for a reason. Recall that we use term riders to allow for the substantial cash value growth that comes with paying substantial, out-of-pocket PUA premiums. If we drop and convert the term rider, then the whole life policy may — and likely will — not accept the PUA premium that the policy owner originally expected the ability to pay in a non-MEC fashion. Very often, continued, maximum PUA premium payment to what was intended to be an IBC-style whole life policy *after the expiration or early termination of a term rider* will cause MEC status. Consequently, converting a term rider may, or likely will, mean lower, future PUA premiums payable in a non-MEC fashion.

This isn't to say that there is *never* a case for term rider conversion. For instance, a policy owner may have incurred a negative medical event since first acquiring his IBC-style whole life policy, and he may even be near to the expected expiration of a term rider. Maybe he's in policy year 19 of a 20-year term rider, for instance. The policy owner may decide to sacrifice an additional year of PUA premium in non-MEC fashion to his whole life policy in order to secure maximum death benefit coverage for his family by converting the term rider into a new whole policy, thereby retaining the death benefit that otherwise would have expired at the end of the term rider's duration.

In any case, we're going to focus on the purchase and eventual conversion of what I'm calling *standalone* term insurance.

When an individual buys a whole life policy and a separate term life insurance policy *at the same time*, the industry often refers to the proposed term life insurance policy as "companion term." The standalone term policy is a "companion" of or to the proposed whole life policy.

Understanding some of the technicalities of term conversion will shed light on why companion term may be a wise move for some.

Typically, when a term policy from a mutual company is converted to whole life insurance, there is *no underwriting*. In fact, most term conversions are administered through a company's Policy Services department, instead of through the New Business and/or Underwriting departments, where company staff have discretion to reject proposed policies.

Notice, too, that we're talking about converting standalone term *from a mutual company*. Term conversion with a *stock* company is rare, and in many cases impossible, since stock life insurance companies don't sell participating (i.e. dividend-paying) whole life insurance in the first place, nor do many sell non-participating (i.e., "non-par" or non-dividend-paying) whole life. So there's often nothing at stock companies to convert into.

It might sound trite, but when a mutual life insurance company underwrites an application for term life insurance, *that's when the proposed death benefit is underwritten*. That is, at the time of the term life insurance application, the underwriter evaluates *at that time* whether the proposed death benefit on the life of the proposed insured is an acceptable risk to the company.

Actuaries with mutual companies take into account the possibility that temporary death benefit may become permanent. This possibility is costly, since virtually all term life insurance policies lapse before the insured passes away; most of us will outlive our term insurance. But permanent death benefit *definitely will pay* (so long as the individual does not allow the policy to lapse). Therefore, temporary death benefit that *might* become permanent is more expensive that temporary death benefit that *cannot* become permanent.

This is why term policies are cheapest in terms of premium dollars per thousand dollars of death benefit from *stock* companies, especially in situations where there's nothing permanent for sale at the stock company into which their term products can be converted.

If you want the cheapest deal on temporary life insurance, you should probably look outside of the mutual world as our friends like Dave Ramsey eagerly encourage.

And yet, if you're thinking in terms of the IBC, and of the possibility — if not the likelihood — that you'll acquire additional IBC-style whole life policies in the future, then the "more expensive" term from mutual companies may be what you want. That "more expensive" term death benefit means that actuaries have already priced in the possibility that you may convert the temporary death benefit into permanent death benefit later, and that you can do so on actuarially-solid grounds that makes sense for the company, and ultimately, for you, as part company owner.

Bypassing underwriting at the time of conversion can be a big deal.

One obvious advantage is that if you become uninsurable between the time that you purchased the policy and when you'd like to buy more permanent insurance, *you can still get more permanent insurance*.

This will strike home with those who understand what I mean when I say "system expansion."

Students of Nelson Nash will recall that he had 49 policies in force at the height of his ownership. Yours truly has four, and I've only been at this for six years. Applying for additional IBC-style whole life policies is often the natural and appropriate thing to do for those who diligently practice the process of Becoming Your Own Banker.

On all whole life policies from all companies, at all times, there is *always* a certain maximum, annual premium threshold. It has to be this way because underwriters need to know how much death benefit you could buy, at a maximum, if you paid the full premium allowed under the terms of the policy, so that they can underwrite (evaluate) the application coherently.

You may — and statistically speaking, likely will — generate more and more income over your working lifetime. To the degree that you conquer Parkinson's Law and keep the many, legion temptations to consume at bay, you may start to notice additional cash stacking up in "someone else's" bank — meaning, in a checking account. This can be one indication that it may be time to "expand the system" or to secure the right to pay more premium into IBC-style whole life. How do you do that if you're already paying the maximum premium allowed into currently-owned whole life policies?

You apply for another one. Or for other *ones*.

Add to this a firm understanding of unceasing, compounded growth that characterizes cash value over time, and you may well be itching to add that next policy. An fairly common part of my own work is helping clients understand just when is the right time to "expand the system."

Too soon, and you may end up with policies, the premium for which ends up too high to handle. A larger proportion of your premium cash flow to the company will go to relatively illiquid base and term ride premiums (since those are always required), and a smaller proportion to your PUA rider premiums, resulting in overall lower cash value growth, and potentially, "use it or lose it" consequences to your PUA rider (all companies have some way of decreasing the maximum PUA premium allowed if the policy owner does not regularly pay it). Too late, and it's not the end of the world, but you do lose precious, irretrievable time during which a compounding cash value growth curve could have started, but didn't. The ultimate consequence here is, again, less cash value than one might have otherwise accumulated over his lifetime.

Suboptimal timing brings about suboptimal results.

Eventual system expansion, then, may — or maybe *should* — be front of mind, at least insofar as we're thinking about long-term financial strategy.

Of course, a change in your *medical* insurability is one major obstacle to successful system expansion. Major diagnoses, trips to the hospital, or severe accidental damage, are just a few forms that come to mind. As James Neathery says, "you become uninsurable in an instant." And often, though not always, once uninsurable, it is at least very difficult, if not impossible, to become insurable again in the future. And even if you do, you're now purchasing the policy at a relatively older age, with fewer years of premium payment, and therefore overall lower cash value growth, with it.

Enter the power of companion term conversion.

Even if one has become uninsurable since the prior policy purchase, insurability is only relevant in the context of *new* applications for life insurance. When we convert a term policy from a mutual company, we're not submitting a new application. We're sending instructions to the company — often to Policy Services — to execute a provision of a unilateral contract *that the company already agreed to* when they issued the original policy. This is what it means for a term life insurance policy from a

mutual company to be "guaranteed convertible." The company *guarantees* the right to convert temporary to permanent death benefit, because actuaries have already priced in the possibility of conversion in the premium that you originally applied for the right to pay.

Consider that there could be no other sustainable way. In order for a life insurance company to guarantee conversion, their actuaries *must* have already priced in the possibility that the temporary death benefit in question could become permanent.

Note that above, I stressed bypassing *medical* underwriting.

Medical underwriting is not the only form of underwriting.

There is also *financial* underwriting, and term conversion bypasses that too.

Consider the possibility that as your business and financial activities evolve, you might hire special tax advisory services to carefully manage cashflow between entities, and ultimately, to yourself, in order to properly, legally realize lower, reportable personal income.

In general, little to no personal income to a life insurance underwriter means *little to no income to insure*. Recall that from the company's perspective, death benefit is indemnification of lost future income. Beneficiaries stand to lose income that the insured would have generated had he lived. What income do beneficiaries lose?

Reported income.

You can easily imagine a case where an individual new to his current form of income generation does not yet operate at a level that would justify the additional accounting and legal expense involved in setting up various entities to more carefully manage his tax liability. Therefore, early on in his work, he may realize and consequently report to tax authorities relatively higher income. From the perspective of financial underwriting of life insurance, high "on paper" income is good insofar as it means higher maximum insurability.

Maximum insurability refers to the idea of the maximum amount of death benefit across all personally-owned life insurance for which an individual is eligible at the time of a new application for life insurance. Maximum insurability is often a function of either the proposed insured's net worth, or what's called his Human Life Value (HLV), whichever is higher.

HLV is a rough approximation of the present value of the insured's future income. Companies want to know the insured's annual income and age. They multiply income by an Income Factor associated with the insured's age. The product is HLV. The Income Factor is a (super) rough approximation of the number of years of future income generation. The idea is that your HLV is your annual income multiplied by the number of years in the future over which you will likely generate that income.

For instance, the Income Factor for insureds in the age range of 18 to 30 might be 30. The implication is that a proposed insured in the age 18 to 30 range will earn his annual income for 30 more years. If the proposed insured earns $100,000, then the HLV is $3,000,000. If the individual's net worth is less than $3,000,000, then HLV of $3,000,000 determines the proposed insured's maximum insurability. That is, *at the time of application*, the total amount of death benefit that the insured can ask for across *both* the policy for which he applies at present *plus* whatever other personally-owned death benefit is already in force (and will not be replaced) cannot exceed $3,000,000. Asking for new death benefit on a proposed policy that would cause total death benefit in force to exceed $3,000,000 would be denied on the grounds that the resulting death benefit would exceed the individual's maximum insurability. This individual is asking for "too much" death benefit, in the eyes of underwriters, and more fundamentally, in the eyes of regulators and many so-called "consumer advocates."

Consider the applying for insurance at age 40 where the Income Factor is now 25. Higher attained age implies fewer years of future income generation, and so a lower Income Factor. Suppose the individual in

question has enjoyed higher income generation, but takes extra measures to manage his tax liability, such that his reportable income level has risen, but not by much, to $110,000. $110,000 of income multiplied by an Income Factor of 25 is $2,750,000.

The individual earned more money, but because of his higher age, and potentially due to tax strategy, his HLV has decreased.

Consider, too, that if the individual purchased IBC-style whole life when he was younger with the proper design, then the death benefit on that policy should be greater than what it was when he originally applied for it, since out-of-pocket PUA premium and PUA premium from dividends both purchase more death benefit.

You can see how this could create a situation where the proposed insured becomes uninsurable on financial underwriting grounds even though he's improved his income generation and taken steps that the business planners suggest to manage his tax liability. Or more modestly, where his available, unused insurability — meaning, the margin of HLV over and above the current death benefit in force — is just plain lower than it otherwise might have been had the insured not aged into a lower Income Factor and taken steps to reduce his personal income.

However, had the individual also purchased companion term when he applied for his original whole life policy at age 30, his new, lower HLV will not prevent him from acquiring the right to pay the sort of IBC-style whole life premium that a higher maximum insurability would allow.

Now let's put this in the proper context.

Is it *likely* that HLV considerations will significantly thwart future, desired, IBC-style system expansion? Perhaps not, and fair enough. But perhaps it will, and it's fair to consider that possibility too. That is, those who might be — for whatever reason — particularly concerned about changes in maximum insurability in the future may be more inclined to consider companion term.

But there are other reasons.

The most obvious is the brute fact that companion term means more death benefit in force now, and therefore, more coverage for your loved ones should the statistically unlikely, yet possible, occur. This may be the most important advantage for students of the IBC who, for instance, are the primary or sole breadwinner for the family, and especially those with one or more young children.

In fact, the financial prudence case for companion term to "solve for death benefit" in the IBC-style advisory context by incorporating companion term is extremely strong. Especially given the relative affordability of term death benefit, there's a possibility that the question should be flipped. Where the proposed insured is the sole breadwinner for a family with one or more young kids, why *wouldn't* you use companion term as part of your IBC implementation?

After all, you can convert it later!

In the "worst" case scenario, you get the extra term death benefit, you pay the premium for it, and you end up not converting it. Everyone lived, and you were prepared for smooth IBC-style system expansion. There are far worse financial outcomes.

This brings us to another factor in favor of the companion term approach: the convenience.

We've already stressed that the converting policy owner exercises a contractual right; he does not ask permission for anything new. There's non-negligble value in that knowledge alone. "No matter what happens to me, I know I can get another IBC-style policy." There's power in that certainty.

At one company I work with, term conversion requires some checked boxes, a signature, and an illustration of the new, expected whole life insurance policy (which certainly can be designed with the characteristic IBC "style"). On the client's end, the administrative part of the process takes minutes. The paperwork is virtually a formality. Much more cognitive time and effort will be allocated to determining the design and premium level of the new whole life policy. From a raw systems

perspective, we eliminate chance of failure and make expansion more efficient.

Since no new underwriting is required or allowed on term conversion, there is no new application and there is no new paramedical testing. This means no needles, no personal medical questions, no financial analysis, and no weeks spent in underwriting.

Finally, one — perhaps favorable — consequence of the fact of no new underwriting is that the underwriting status on the term policy will often transfer over as the underwriting status on the new whole life policy.

What's the Catch?

The first, obvious tradeoff to companion term, is, of course, the premium for it. Premium to standalone term insurance does not contribute to cash value growth, nor do premiums paid on the term policy in any way "count" for your new, as yet to exist, whole life policy. Aside from the value of temporary death benefit protection, which should not be neglected, premium to standalone, convertible term is pure cost.

This is insurance, after all, so we're dealing with risk. Purchasing standalone convertible term is a method of offloading the risk that you become uninsurable in the future, or for whatever reason become ineligible under various medical and financial underwriting standards, for a new IBC-style policy in the future. Whether this risk matters to you or not will depend on your situation, and on the degree to which you care or are worried about your ability to pay more premium to IBC-style whole life in the future.

Second, applying for companion term necessarily means asking for overall more death benefit coverage from the company than if you had just applied for an IBC-style whole life policy on its own. This is especially the case if you intend to "fully insure" or get total death benefit equal to HLV (or net worth, whichever's higher). As the total amount of death benefit applied for and in force with a given company increases, so too does underwriting scrutiny.

Therefore, a case with companion term may trigger additional underwriting requirements, like the requirement that the insured participate in additional phone interviews with the company, provide financial documentation to verify reported income, or sign off on the release of medical records for underwriter evaluation. In practice, these additional steps can be a bit of headache, but are by no means insurmountable. If you're considering companion term for the reasons mentioned so far, the additional requirements shouldn't be, and normally are not, a deal-breaker.

Third, and maybe it goes without saying, but just to be clear, companies will convert temporary death benefit to permanent death benefit *that they provide*. That is, you can't convert $500,000 of term death benefit at company X into $500,000 of permanent death benefit at company Y. Conversion takes place *within* the company.

So if we're buying companion term on the expectation of IBC system expansion, we'd want to be careful and deliberate in our choice of company. I will spare everyone even the slightest discussion of what should go into company selection from the IBC perspective, since that is one of the main functions of the Mechanics series referenced above. In any case, what you might like to avoid is getting talked into companion term with a company you later realize is relatively unfavorable for the purposes of the IBC. (You should avoid getting talked into *anything*…)

Fourth, and finally, companies may impose a cap on just how far into the future conversion is allowed. For instance, a standalone term policy may be "convertible to age 65." This usually means conversion is available through the policy year in which the insured turns age 65, and no later. Consequently, companion term may not be appropriate for clients implementing the IBC at a later stage in life.

Two Approaches

I want to give you a couple examples of companion term approaches I've taken with actual clients.

We've already alluded to the first method: solving for insurability. But let's break that process down a bit further to see how it plays out.

As part of my process with new clients, we conduct a thorough Advisory Conversation. This is a few hours of one-on-one conversation, the ultimate result of which is a clear understanding of the amount of premium to be paid, the structure of it, the policy structure, who the insured will be, the company to which we might apply, and most importantly, the reasons behind all of those decisions. That is heinously brief explanation of what all goes into the Advisory process, but you get the idea. We concentrate our focus on individual circumstances in order to build out the appropriate, customized policy or policies.

The specification of these various items is necessary to go and "illustrate" the policy for which the individual will apply. The resulting life insurance policy illustration will tell us what we might call the "proposed underwritten face amount" or what is basically a near-term future death benefit. It's an amount of death benefit that will be in force on the policy within a few years if the proposed policy owner pays the maximum premium allowed. This is the figure that underwriters care about when evaluating an application for whole life.

From there, it's a simple matter of subtraction. We take the proposed underwritten death benefit on the desired IBC-style whole life policy and subtract it (along with whatever other death benefit may be in force) from the proposed insured's maximum insurability (usually, his HLV) in order to specify the amount of "unused insurability." We then generate an illustration for a companion term policy where the death benefit equals the remaining, unused insurability.

There is one choice variable on the companion term side: the duration.

Clients can choose for how long they want the temporary death benefit to last. From the IBC/conversion point of view, the client gets to choose for how long they want the ability to convert.

Perhaps income is rising steadily and you expect to convert sooner rather than later. That may suggest a 10-year term policy. Suppose you want more time during which to convert. That may suggest a 20-year term policy. Suppose your HLV is so high that you expect multiple conversions over time, some happening sooner and others happening later. You might apply for two companion term policies, one with half of the remaining unused insurability on a 10-year term policy, and the other half on a 20-year term policy. I placed a case where we did exactly this just last week.

Ultimately, the client will apply for the whole life policy(ies) and the companion term policy(ies) simultaneously.

(An advisor who really knows what he's doing will explain the strategy and the reasons justifying it to the underwriter in a cover letter that's attached to the application.)

When underwriting is complete and policies are offered and delivered the individual will be "fully insured" — meaning, he has death benefit in force equal to his maximum insurability. To be ultra precise, the amount of death benefit that goes in force on day one of the various policies will be slightly less than the insured's maximum insurability, since the proposed death benefit on the whole life policy will be slightly greater than the death benefit that goes in force immediately. But we can extremely close to maximally insured. The path is now nicely laid out for future, underwriting-free, IBC-style system expansion, with substantial death benefit in place to protect loved ones in the mean time.

Another approach involves planning to expand one's ability to pay premium to IBC-style whole to a specific degree, rather than aiming to fully insure.

The process is similar as noted above at first. We go through the ordinary advisory process to determine the appropriate premium to IBC-style whole life for the time being.

The question might arise: what if the policy owner wanted full confidence that he could get another

policy with exactly the same premium level again in the future?

Here's how that works. Upon illustration of the desired IBC-style whole life policy, we observe the proposed underwritten death benefit. Perhaps an IBC-style policy conferring the right to pay $50,000 per year in total annual premium illustrates with a proposed underwritten death benefit of $750,000. Suppose the client in question wants the ability to get another policy that confers the right to pay another $50,000 in premium, for a total of $100,000 in total annual premium across both policies, in the future.

Well, we know that as attained age rises, mortality cost increases. In other words, if a client aged 35 seeks to pay $50,000 in premium on a new policy, the proposed underwritten death benefit will very likely be less than if the individual applied to pay $50,000 in total premium at age 40. The same premium for an older individual buys less death benefit.

So in some sense, we have a fairly strong understanding of what the proposed death benefit will be on a new IBC-style whole life policy *in the future*, given the observation of proposed underwritten face amount for a given premium capacity on a policy today. We at least know that for a given client and premium level, the proposed underwritten death benefit amount will likely *decrease* for illustrations generated in the future.

Returning to our example, if the proposed underwritten death benefit on a policy allowing $50,000 in total annual premium right now is $750,000, then we can safely conclude that an application for a policy that confers the right to pay $50,000 in premium submitted *in the future* will carry a proposed underwritten death benefit of something less than $750,000.

Therefore, what we might do is generate a companion term illustration with the client's desired duration (or two illustrations, each with different durations) with death benefit equal to $750,000. This way, the client can be confident in his ability to at least double his current premium outlay upon future conversion. We know because of the way mortality cost (and therefore death benefit pricing) changes over time, that $750,000 will be enough to convert to a new whole policy that'll accept $50,000 in premium in the future.

Some companies will even allow *partial* term conversion.

Suppose our individual returns after three years from when he originally purchased his IBC-style whole life and his $750,000 companion term policy. Perhaps at that juncture in life, he doesn't want to expand his IBC-style premium all the way from $50,000 to $100,000, but instead wants to expand by $25,000, from $50,000 to $75,000.

This characterizes a possible case for *partial* term conversion. Perhaps at the desired time of term conversion, the desired IBC-style whole life policy illustrates with a proposed underwritten face amount of $300,000. If that were the case, and should the individual wish to proceed, we would illustrate the new IBC-style whole life policy and submit it along with a request to partially convert some of the companion term policy's death benefit. The new IBC-style whole life policy would be issued and the amount of temporary death benefit on the standalone term policy would be reduced by $300,000 to $450,000. With some companies, the unconverted term death benefit ($450,000) remains convertible in the future, should the client decide to expand his IBC system again down the road (but before the expiration of the term policy).

Notice how with this second approach, we're targeting a desired ability to increase future IBC-style premiums, rather than aiming for maximum insurance. Which approach may be appropriate for you, of course, depends on you.

Who's it For?

As I've discussed above, companion term of some sort may be most appropriate for individuals with a legitimate need for death benefit according to

conventional life insurance planning practice.

If you're the sole breadwinner for a family with dependents, companion term should be a serious consideration.

Further, if you're at all concerned about, or would just like to avoid, future underwriting, then you should also consider companion term. We note, of course, that companion term does not necessarily solve *all* possible future instances of underwriting. The basic example is of the individual who chooses to buy companion term, converts all of it over time, and still continues to generate new free cash flow such that system expansion requires a new application, and therefore, more underwriting. This possibility is unavoidable (and definitely falls under the category of "good problems").

Finally, there's the case where the additional premium required to carry companion term is marginal compared to one's income. If you can easily afford it, then why not secure the guaranteed right to expand your system later? Your agent can easily identify convertible term prices for death benefit amounts and at durations of your choosing. One could even make the case that you might as well check what it would cost to fully insure yourself with companion term *anyway*, if only just to know the number. Practically speaking, you might go with one of the two approaches above to determine how much to get, or you might use a blend. You could imagine a scenario where someone chooses to get some but not all of their remaining unused insurability out in force with companion term, for instance.

Closing

As usual, that was a lot! But I had quite a few questions about companion term at the recent 2023 Banking with Life Live Event for clients only, and figured a more complete discussion may be helpful for everyone.

Happy capitalizing (and converting)!

Take control of your financial world by
Becoming Your Own Banker®
Find a Practitioner Near You

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

IBC Practitioners 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.

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.

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

February and March New Members

- Cameron Gannon, Dartmouth, Nova Scotia
- Simon-Pierre Gingras, Montreal, Quebec
- Daniel Henley, Pompano Beach, FL
- Robert Hyrkas, Eden Prairie, MN
- Phani Kandula, Austin, TX
- Mark Knight, Loudon, TN
- Loris Mugisha, Gatineau, Quebec
- Brandon Neely, Cincinnati, OH
- David Rockett, Monroe, LA
- Kyle Shenk, Highlands, NJ

February and March Membership Renewals

- Michael Baker, Medicine Hat, Alberta
- Justin Bauer, Cannon Falls, MN
- Timothy Boyle, Portsmouth, NH
- Michael Clanin, Cedar Rapids, IA
- Scott Cordier, Carrying Place, Ontario
- Scott Crook, Scottsdale, AZ
- Nate Dean, Beaumont, TX
- Kevin Dottenwhy, Wausau, WI
- Monty Flack, Mesa, AZ
- Brian Fleming, Hartford, WI
- David Forbes, Punta Gorda, FL
- Joe Fuller, Mesa, AZ
- Scott Gannon, Dartmouth, Nova Scotia
- Michael Hession, Cranston, RI
- Steven Holtz, Los Angeles, CA
- Paul Horsley, Morristown, TN
- Michael Hunter, Bolton, Ontario
- Allan Johnson, Osoyoos, British Columbia
- Wes Keeton, Dallas, TX
- Eric Kouvolo, Bellingham, WA
- Valerie LaRoque, Seattle, WA
- M.C. Laubscher, Newtown, PA
- Jaie Locke, Katy, Texas
- David Moore, Plainfield, IN
- Chris Mumma, Tuscaloosa, AL
- Tom Neeser, South Bend, IN
- Barry Page, Ocean Springs, MS
- Kaye Lynn Peterson, Rancho Cordova, CA
- Brad Picha, Waxahachie, TX
- Eric Roy, Gatineau, Quebec
- Mike Schwallie, Homewood, AL
- Howard Silvermintz, Atlanta, GA
- Lawrence Sin, South Pasadena, CA
- Todd Skinner, Williamsburg, VA
- Reginald Victoria, Redondo Beach, CA
- Raymond Ward, Fairfield, IA
- Becca Wilhite, Plainview, TX
- Christina Wyatt, Dartmouth, Nova Scotia
- Mark Yarbrough, Rogers, AR
- Donald Zielinski, Austin, TX

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.*