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Why you should become your own banker (the infinite banking concept)

by David Martin

We finance everything. We either finance by -

- (a) Paying interest to someone else – a bank, money lender, etc., or
- (b) Giving up interest we could have earned otherwise. (When we pay cash, the interest the money could have earned is forfeited)

The average New Zealander -

- ✓ spends about 24-35 cents of every dollar on interest expense (home, car, boat, credit card, etc.).
- ✓ pays approximately 85% of the money paid during the first five years of his mortgage in interest payments.
- ✓ pays about 30 cents of every dollar in taxes.

When we add these quantities up we see that the average New Zealand is paying between 54-64cents of every dollar he earns on interest expense and taxes. That's more than half of what we earn, and that's before we even begin to tally up our living costs!

What if you could find a legal, legitimate method to simply capture half of this loss? Imagine if these two sources of revenue could be captured! One thing is certain, your wealth creating ability would be significantly improved. You would probably generate more wealth for yourself than if you made high return investments in the market.

Let's take a look at investment alternatives. There's usually something you need to forfeit before you get a return on your investment. Exactly how much are you forfeiting, and how does this weigh up against the return you will receive?

If you are interested in generating wealth – and most of us are, it might be worthwhile considering being fully engaged in two businesses.

- Your own occupation
- Banking

Your own occupation could perhaps have a limited lifespan. How long will you be able to continue working? Equally important – how long do you WANT to continue working? Banking, on the other hand, does not appear to be dependent on your age or health, or a number of the other circumstances that may signal the end of your working career.

"Through working with Full Focus, I was able to take better control of where things were and I am still very focused on getting the business outcomes where I want them to be.

"Full Focus is a constant reminder of "where you want to be" and putting plans in action to achieve it."

David Buchanan, Owner
Air Sea Global Limited
Mangere, Auckland



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Which of these two businesses would you consider has the greatest potential for generating LONG TERM wealth?

The essence of the “Infinite Banking Concept” is to recover the interest that you normally pay to a banking institution. You can do this through the use of an alternative investment vehicle. You’ll then have the ability to lend those funds to any entity, including yourself. This means you (or the investment owner) will be making what a banking institution does.

The earnings grow within certain preferred investment vehicles, tax paid. In this way you can be both reducing your tax burden as well as capturing monies for yourself that a banking institution normally would receive. (Investment companies do pay taxes – it is just that the methodology of paying dividends in our preferred investment vehicles are tax advantaged.)

The principle is simple. Anytime and every time you can cut the payment of interest to others and direct that same rate of interest to yourself (or an entity you own and control) you must be better off! This is especially so if your entities are subject to minimal taxation. If you can achieve this, you will have improved your wealth generating potential significantly.

It is important to remember that we are NOT talking about INVESTING. We are talking about FINANCING. Financing is a *process* not a product. Financing involves both the creation of and maintenance of a pool of money and its use. We’re not talking about selling you another investment product. We are talking about education and advice about financing. Advice that is completely independent and doesn’t steer you in any particular direction to benefit anyone else – except you!

Similar methods are used by private investment banks in the USA. To enhance and capitalize a portion of their “Infinite Banking System”, one of these banks has purchased over \$9,000,000,000 (that’s nine billion dollars!) in similar investment vehicles. This pool of capital is one of the sources of working capital the bank draws on to fuel their banking system.

When you look at setting up such a system, it’s vital that the correct systems and procedures are in place. In an effort to increase your wealth generating potential, the last thing you want to end up with is an enormous tax headache (and this may be getting off lightly!). This can easily happen through lack of planning or ill thought out structures.

The Inland Revenue Department with its tax systems and regulations, is a virtual minefield waiting for an unwitting victim to step in the wrong place. The trouble is, knowing exactly where these mines are, how to avoid them, and still play by the rules!

A financial audit recently facilitated for a client highlighted tremendous advantages in the business establishing a financial plan to “become their own banker”.

Over a projected 12 year time frame, not only would this hugely capital intensive business be freehold – there would also be a capital fund available for future growth of several \$100,000’s – tax-free! No bank reporting costs, deductible interest payments to suit the owners of the company and the ability to eliminate ALL debt at a moments notice.

These corporate owners retired all their debt into friendly hands!

“You don’t know how much you need people like the Full Focus team until you use them. They can take care of so many day to day worries by putting the best structures in place by which you can confidently operate your business.

Brian Crum, Owner
Industrial Battery Solutions NZ Ltd
East Tamaki, Auckland



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About the author:

David's career began with 3 years in the N.Z. Army at Waiouru Military Camp. He then pursued a very successful career in the life insurance industry. Several Life Brokerage operations were established and ultimately capitalised. For the last 15 years he has honed his skills working alongside business owners.

Full Focus Limited provides independent advice to business owners and shareholders of private companies who have high expectations and are determined to move forward. Full Focus looks at "the big picture" of your life (business and personal), taking account of every facet to make sure it all fits. They evaluate where you are now and put in place clear steps to get you where you want (or need) to be. Full Focus provides clarity and direction, so you have greater traction and can move ahead confidently.

If you either –

- ✓ Have an above average income, or
- ✓ Are a controlling shareholder of a private business

Then this concept could be of benefit to you.

If you'd like to discuss this further, just contact us to arrange a FREE initial meeting. The only investment from you is 30-45 minutes of your time:

David Martin or Kathy Martin

Phone: (09) 489 1650

Email: enquiries@fullfocus.co.nz

Or fill in the form below and post it to us at P.O. Box 33 489, Takapuna, Auckland.

Please contact me to arrange a meeting to discuss becoming my own banker!

Name

Postal Address

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Tel.

Mob.

Email

