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The Value of Liquidity: Capitalize On Your Cash!

"Success is where preparation and opportunity meet." - *Bobby Unser, Indianapolis 500 Champion*

Do you have access to cash on demand? Or are you locking up your assets, or keeping them liquid? The answer may be influencing your prosperity more than you realize.

Most investors focus on the ROI (return on investment) of an investment or a savings vehicle. However, locking up money in investments where it is no longer liquid can actually severely *limit* the possibilities for lucrative returns! This is because some of the best opportunities cannot be capitalized on (literally!) without access to cash.

Cap-i-tal-ize:
(verb)
1) To provide with capital.
2) To gain advantage from.

A lot of financial transactions lock up your dollars.

- If you put money into a retirement plan such as an IRA or 401(k), your money stays there, sometimes for decades in order to avoid penalties and/or taxes.
- If you save in an educational savings plan such as a 529 plan, that's where your dollars remain until needed for tuition.
- If you invest in a business or real estate deal, your cash is locked up there for a certain length of time, or until the investment is liquidated.
- If you invest in a Variable Annuity your money is tied up with surrender charges.

Usually, you have to *liquidate* assets or divest yourself in order to get access to use your dollars elsewhere. It's "either/or" – you can either earn interest on your savings, earn returns on your investments, or liquidate them to spend the money, but you've got to make a choice.

Whole Life Insurance: The Both/And Asset

Todd Langford of Truth Concepts financial software is fond of saying, "Most assets are *either/or* assets, but whole life is a *both/and* asset." This is a perfect way to describe the advantage of having an asset that can be easily used as collateral.

Whole life is a "both/and" asset**.** As you keep funding your whole life policy, the cash value grows, and before you know it; you have options. Do you need money for an emergency? You've got it. A lucrative opportunity? Yes, you can! What about college, a business start-up, or a down payment on a rental property? Go right ahead.

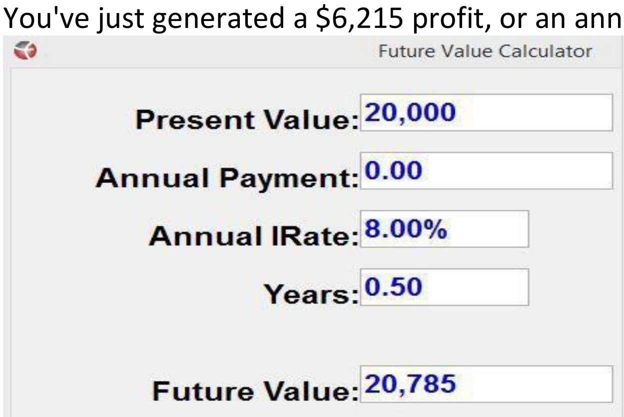
The death benefit of whole life is guaranteed to always be there provided the required guaranteed level premiums are paid.[1] Whole life also has living benefits, such as tax-deferred cash value growth and important riders. [2, 3] The cash value is made up of guaranteed cash value and accumulated dividends[4] (if they are reinvested). You can always withdraw the accumulated dividends tax-free (up to the policy basis) or you can use them and the guaranteed cash value as collateral to borrow from the insurance company or from a bank.[5] Thus making Whole Life a "both/and" asset.

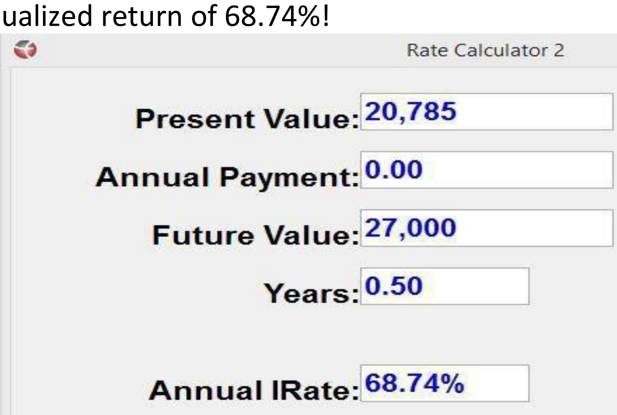
You will receive guaranteed cash values and once dividends are paid into the policy it is also guaranteed. You will always have access to the cash value if you need it for an emergency, an investment opportunity, college tuition payments, or a major purchase. You set your own repayment schedule up when repaying your loan while still earning dividends on your total. At minimum, the loan interest should always be paid to protect the integrity of the policy but doesn’t have to. Once a loan is repaid along with the loan interest, the policy has been minimally effected. Since you can basically set up your own re-payment schedule…extra payments, lump sum payments or a traditional repayment schedule are all up to you. Although a loan from the policy does not have to be re-paid, we do recommend that you pay your loan back diligently in order to minimize the reduction of the death benefit and the net cash value. You do want to have your cash value back so you can have it available for the next opportunity that may arise.

Financial author and speaker Nelson Nash is fond of saying, "If you have cash, opportunity will seek you out!" Here are 5 examples of how opportunities can find *you* when you have access to capital:

1. Cash Available for an Opportunity*

Perhaps a friend wants to sell a classic car for much less than what it's worth to generate some quick cash. The car can fetch $30k for a patient seller in the right market, but he'll take $20k if you can get him the cash next week. Let's say you buy the car at $20k and resell it for only $27k. You borrow the $20k against your cash value direct from the Life Insurance Company, pay 6 months of interest at an 8% annual interest rate (an additional $785), and you sell it for $27k. Although, in today’s low interest environment, you may choose to use your whole life policy cash value as collateral and borrow from a bank at a lower rate, typically prime which is currently at 3.75%. You've just generated a $6,215 profit, or an annualized return of 68.74%!

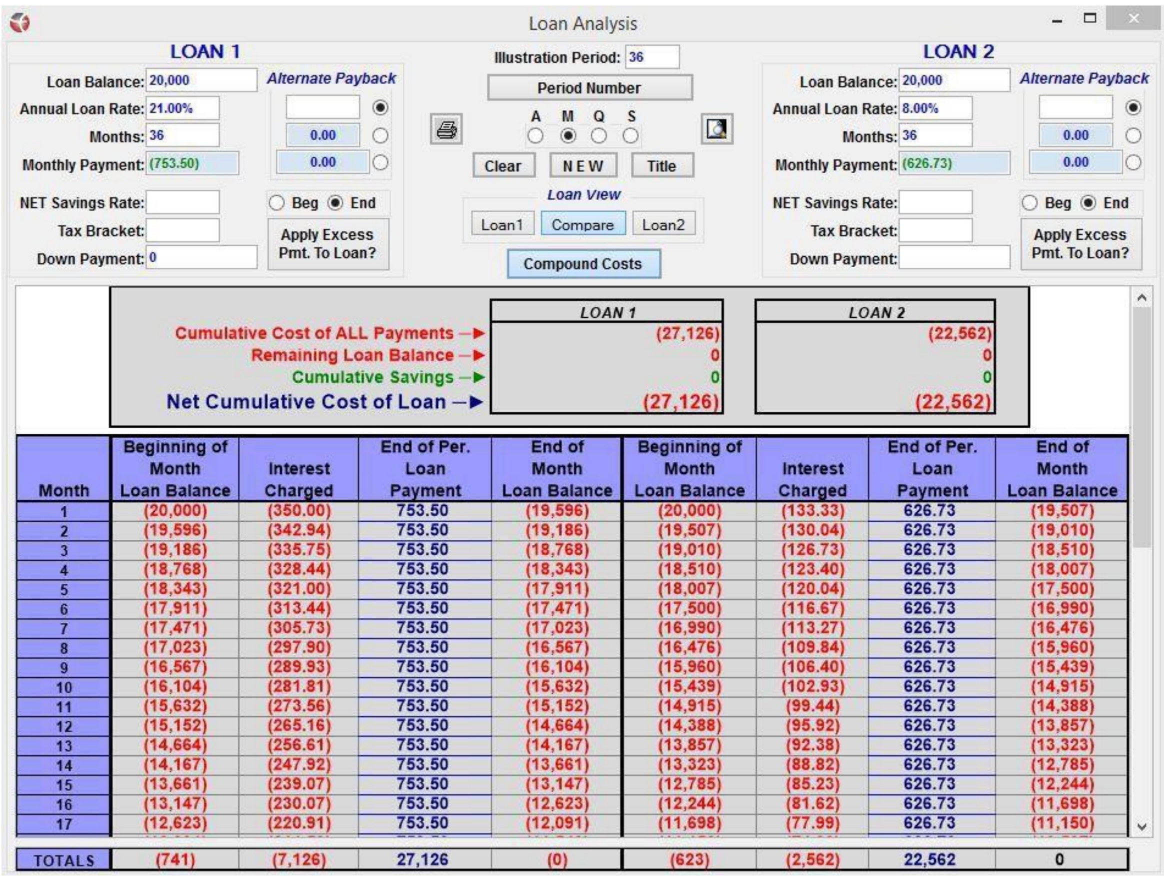




2. Be the Bank*

Perhaps your business needs some new equipment, and you discover that the lease on the new machines will cost you the equivalent of a three-year loan at 21% annual interest rate! Even worse, if you prepay the lease, you'll STILL pay the steep financing fee!

You might save *thousands* by being able to provide your own financing in such a situation... all because you had access to your cash value. In the example below, a $20,000 loan (or lease equivalent) at 21% interest will cost $27,126, while an 8% (New policies are 6%) interest loan over the same time period, only $22,562:



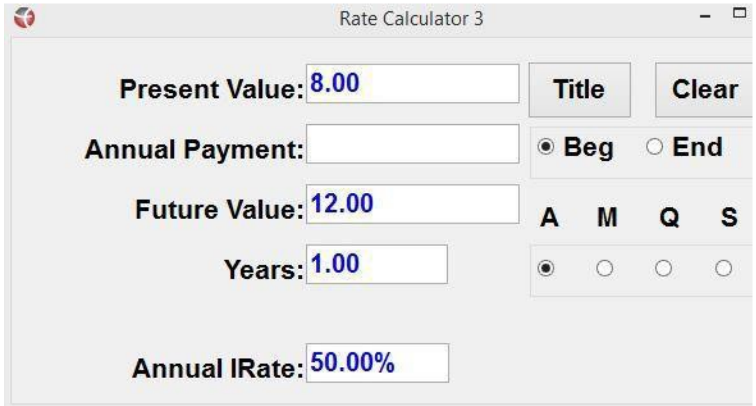
	LOAN 1	LOAN 2
Cumulative Cost of ALL Payments	(27,126)	(22,562)
Remaining Loan Balance	0	0
Cumulative Savings	0	0
Net Cumulative Cost of Loan	(27,126)	(22,562)

Month	Beginning of Month Loan Balance	Interest Charged	End of Per. Loan Payment	End of Month Loan Balance	Beginning of Month Loan Balance	Interest Charged	End of Per. Loan Payment	End of Month Loan Balance
1	(20,000)	(350.00)	753.50	(19,596)	(20,000)	(133.33)	626.73	(19,507)
2	(19,596)	(342.94)	753.50	(19,186)	(19,507)	(130.04)	626.73	(19,010)
3	(19,186)	(335.75)	753.50	(18,768)	(19,010)	(126.73)	626.73	(18,510)
4	(18,768)	(328.44)	753.50	(18,343)	(18,510)	(123.40)	626.73	(18,007)
5	(18,343)	(321.00)	753.50	(17,911)	(18,007)	(120.04)	626.73	(17,500)
6	(17,911)	(313.44)	753.50	(17,471)	(17,500)	(116.67)	626.73	(16,990)
7	(17,471)	(305.73)	753.50	(17,023)	(16,990)	(113.27)	626.73	(16,476)
8	(17,023)	(297.90)	753.50	(16,567)	(16,476)	(109.84)	626.73	(15,960)
9	(16,567)	(289.93)	753.50	(16,104)	(15,960)	(106.40)	626.73	(15,439)
10	(16,104)	(281.81)	753.50	(15,632)	(15,439)	(102.93)	626.73	(14,915)
11	(15,632)	(273.56)	753.50	(15,152)	(14,915)	(99.44)	626.73	(14,388)
12	(15,152)	(265.16)	753.50	(14,664)	(14,388)	(95.92)	626.73	(13,857)
13	(14,664)	(256.61)	753.50	(14,167)	(13,857)	(92.38)	626.73	(13,323)
14	(14,167)	(247.92)	753.50	(13,661)	(13,323)	(88.82)	626.73	(12,785)
15	(13,661)	(239.07)	753.50	(13,147)	(12,785)	(85.23)	626.73	(12,244)
16	(13,147)	(230.07)	753.50	(12,623)	(12,244)	(81.62)	626.73	(11,698)
17	(12,623)	(220.91)	753.50	(12,091)	(11,698)	(77.99)	626.73	(11,150)
TOTALS	(741)	(7,126)	27,126	(0)	(623)	(2,562)	22,562	0

3. Earn Cash Flow*

Let's say the business equipment scenario above isn't your business after all, but the business of a friend or family member. Could you offer to finance the equipment at a rate of 12%? It would be a fantastic savings for them, and you could borrow cash at 8% from a policy loan (no questions asked) and earn 12%.

You'd be making 50% on your money, while saving them thousands!



Don't mistake this strategy as a mere 4% gain - 4% being the "spread" between the cost of money at 8% and the rate at which you can lend the money, or 12%. If you bought a widget at $8 and sold it for $12, it would be a 50% profit. It is the same when buying and selling cash.

4. Create an Income

When you have access to cash, you can keep your eyes and ears open for exceptional business or real estate deals that could set you up with long-term income.

One investor used his cash value to invest in cash flowing commercial real estate that generated an income for him after he was forced into an early "retirement" with a disability. His disability rider on the whole life policy requires that the Life Insurance Company continue to pay his whole life premiums through-out his disability. But he took it a step further and capitalized on his whole life policy, by utilizing policy loans to leverage a mortgage to fund multiple real estate deals which enabled him to continue to support his family.

5. Take the Opportunity of a Lifetime

Sometimes, the "return on investment" isn't financial at all, it's personal. Perhaps it's taking the trip of a lifetime, or checking a major item off of your bucket list.

Network marketing entrepreneur Jordan Adler had always had a dream to "go to space." Sounds pretty far-fetched, doesn't it? For most, it would have been an impossible dream. But when Jordan actually got an opportunity to actually book a spot on a commercial space flight (with a six figure price tag), he said "Yes!" He knew he could access the money with a loan against his whole life cash value, no questions asked, and repay it at his own timing, without disrupting his other investments.

The Cost of Cashing Out

Many people consider their 401(k)s or IRAs to be their "savings." But qualified retirement plans aren't liquid and may be risky and volatile, therefore making poor piggy banks. You may pay penalties and income tax, which can gobble up nearly half of any withdrawals! In 2010, Americans paid $5.8 billion in penalties alone by tapping $58 billion in retirement funds before they were supposed to, according to a May 6, [2014 Bloomberg article.]

Borrowing 401(k) monies for allowable reasons (such as a home down payment) is also deceptively expensive due to the tax treatment. You'll have to replace those before-tax contributions with after-tax dollars, which means you can add your tax bracket rate onto the cost of the loan!

If your dollars are locked up in qualified assets, you may have costly liquidity.

Capitalizing with Whole Life "Cash Value" Insurance

When you have a solid, liquid asset such as the cash value in your whole life, you can leave that asset intact, and easily borrow against it. This leaves you with your original savings *plus* access to cash for your neighbors car, your child's tuition, or the investment that may pay healthy returns. Best yet, your policy's cash value will keep growing to offset some of the interest costs. (You may even be able to use your policy cash value as collateral to obtain a bank loan at a lower interest rate!)

You can argue that a certificate of deposit could give you the same advantage of liquidity – after all, what bank won't lend against their own certificate of deposit? However, here again, we discover that whole life is a "both/and" asset" in the way that other savings vehicles are not.

Typically, you have to *choose* to place your money into investments, savings[6], life insurance, etc. With whole life however, *you are saving and insuring at the same time.* Not only will you eventually have access to every dollar put into the policy as your cash value grows, you'll also have protection over and above the cash value the moment your first premium is paid.

In this way, whole life is a *self-completing savings strategy.* Should something happen to you, the policy can still pay for your child's tuition or supplement your spouse's future income.

Can You Capitalize on Opportunities?

Whole life insurance is the best place we know to store long-term cash (with a permanent self-completing savings mechanism) and the best way to build liquidity for future investments, emergencies, and opportunities.

If you could benefit from great liquidity in your personal economy, let us show you how a whole life policy can grow cash value that can be used as collateral when you need capital. Contact us today!

[1]All whole life insurance policy guarantees are subject to the payment of all required premiums and the claims paying ability of the issuing insurance company. Policy loans and withdrawals affect the guarantees by reducing the policy's death benefit and cash values.
[2]Guardian, its subsidiaries, agents, and employees do not provide tax, legal, or accounting advice. Consult your tax, legal, or accounting professional regarding your individual situation.
[3]Whole life riders may incur either an additional premium or cost. Riders may not be available in all states.
[4]Dividends are not guaranteed. They are declared annually by Guardian Life Insurance Company's Board of Directors.
[5]Policy benefits are reduced by any outstanding loans and loan interest. Dividends, if any, are affected by policy loans and loan interest. If the policy lapses, or is surrendered, any loans considered gain in the policy may be subject to ordinary income taxes. If the policy is a Modified Endowment Contract (MEC), loans are treated like withdrawals, but as gain first, subject to ordinary income taxes. If the policy owner is under 59

½, any taxable distribution from the policy may also be subject to a 10% federal tax penalty.

[6] Bank savings accounts are FDIC Insured up to $250,000.

*The examples provided are strictly hypothetical and do not represent any real life case. These hypothetical examples are not intended to suggest a particular course of action or represent the performance of any particular financial product.

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