<u>CASH FOR CLUNKERS</u>

I got an amazing phone call today from a client who has been doing BOY for almost 5 years now.

Maybe you have heard about the new Federal rebate program for people who trade in their gas guzzler clunker cars for newer vehicles with better gas mileage.

Well, anyway, he just bought a new vehicle under this program and wanted to finance it with his BOY plans instead of paying cash for the car.

I really love it when people finally "get it" about paying cash for things like cars. By now you have all heard my lecture at least several times about the losses involved in paying cash instead of using BOY. People say things like "the money isn't earning much in the bank anyway." That is true. I cannot argue that point. What I will say is that your dividend and cash accumulation will not miss a beat when you finance things with BOY. Even with low interest rates, you lose interest earnings on the bank account when money is taken out to pay cash for a car.

This guy "got it" because he knows this. He also has figured out that he is better off putting some bank account money into premium payments for his BOY plans rather than just leaving it in the bank. Now that his plans are almost 5 years old, he will start to see cash value increases that will be more than premium payments. The amount of increase above the premium payment will only get larger and larger every year the premium is paid.

Best of all, these increases in cash value are not dependent on the stock market or real estate market.

If the "Cash for Clunkers" program can help you get rid of your old gas guzzler, BOY can help you pay for the car.

Now that's what I call a "win – win" situation!

The question of the month for July is related to this.

Why am I not better off by just doing my self financing using my bank account instead of using the BOY insurance policy and avoid those "start up costs" you have with BOY?

Do you remember the story of the tortoise and the hare?

BOY versus the bank account follows the same story line. Yes, the bank account does better in the beginning, but gets left in the dust later on. The crossover point that occurs when BOY does better will depend on your plan design, but it is for sure that BOY will leave the bank account in the dust for the longer haul.

The short answer to why this happens is that you have an ownership interest in the BOY insurance company that you do not have in the bank. The bank can never pay you what they earn with the money you give them without upsetting their shareholders. The mutual insurance company has no shareholders to deal with. The policy owners are the insurance company owners and they split up the net profits of the insurance company each year. Because policy dividends increase over time to multiples of the premium payment, you really see amazing cash value increases as time goes on. I don't want to bore you with 9 pages of why this is so. I will be happy to provide you with the whole nine yards explanation if you like. Just let me know. You can also review the appropriate sections of Pamela Yellen's and Nelson Nash's books for more information on this.

I hope you are all enjoying your summer. See you next month.

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