



The Dream House Story

("Bank on Yourself")



Emma, fresh out of college, gets her first job. Instead of opening a 401(k), she buys a whole life policy, at her mother's insistence. "You'll thank me for this one day," Mom said.

Six years later, Olivia (Emma's not-so-nice friend) brags to Emma that she's been saving for years for a house. She asks Emma to look at houses with her, and Emma reluctantly obliges. Soon after, Olivia finds her dream house and puts in an offer.

That night, while visiting her mom, Emma asks for advice. Emma explains how Olivia can afford a beautiful home, and she wants to do the same. Emma decides she'll follow in Olivia's footsteps and start saving for a down payment too. She plans to set aside \$500/mo. for the next 5 years, but she's anxious about waiting so long.

Mom: "Why do you need to save for a down payment? Don't you remember that you've already been saving in your whole life policy for the past 6 years?"

Emma: "Oh yeah, but I don't want to touch that money. That's just for my retirement."

Mom: "Well, since you're asking for my opinion, here it is: I would borrow for the down payment against your policy and buy a house now."

Emma: "*What? I can do that? Won't it ruin my retirement savings?*"

Mom: "Oh no, it won't. You can repay the loan back with the same \$500/mo. that you already planned to save. And, the cash value in your policy will *still* grow, regardless of the loan. How's that sound?"

Emma: "Hold on, are you saying that I really can buy a house *now*, and not wait? And it doesn't affect my retirement savings?"

Mom: "Absolutely, as long as you ultimately pay back the loan."

Emma: "But what if something happens and I can't afford to pay back the \$500/mo.?"

Mom: "Then you can reduce or stop the loan payback and resume it later. You create your own payment schedule! I taught you to be responsible with your money, so you shouldn't have any issues paying the loan back over time.

Emma: "Great! I can't believe it. Thank you, Mom!"

And then Emma went out and outbid Olivia for the dream house.

What are the points of this story?

- *Why was Emma able to get her hands on a down payment so easily?*
 - *A Whole Life policy can be used as **Collateral** to get cash when needed.*
- *How is it that Emma's retirement plan didn't suffer?*
 - *Because even with a loan, the cash within the policy continues to grow as **Permanent Capital**. Once again, 1+1=3.*
- *Why doesn't Emma have to worry about losing her income?*
 - *Because a loan repayment schedule is **totally flexible**; it doesn't have a rigid repayment schedule or late fees when you Bank on Yourself.*