life success & legacy

Boot Camp Glossary

Base Premium Deposit

- The money paid to the life insurance company to keep the policy inforce and emphasizes the purchase of death benefit

Beneficiary

- The person or organization designated in the policy who will receive the death benefit at the time of the insured's death

Capitalize

- Funding of a dividend-paying life insurance policy

Cash Surrender Value

- The equity of the policy that serves as collateral for loans against the policy

Certificate of Deposit (CD)

- A deposit typically made at a bank that has a rate of return (usually via an interest rate) and a set maturity (5 years as an example). A safe way to increase your return for no extra risk.

Death Benefit

- The amount of money paid to the policy owner's beneficiary from the life insurance company when the person the policy is insuring dies.

Dividend

- In life insurance, the IRS calls a dividend - return of premium. Often described as a portion of the company's profit paid to the policy owners. In a stock company, dividends are paid to the stockholders. In a mutual company, dividends are paid to the policy owners.

Economic Value Added (EVA)

- Charging yourself (interest) for the use of your own money

Flexible Paid Up Additions Rider (FPUAR)

- The money paid to the life insurance company that quickly builds the cash surrender value making it more effective for “banking”

Headwind

- The large amount of (debt) principle, interest and taxes paid in relation to the amount of income earned (Nelson’s research found the average family is losing 34.5% of income to interest) ie - mortgage, car loan, credit card debt

Infinite Banking Concept (IBC)

- Discovered by Nelson Nash, this is a concept that allows a person, family, or business to create a pool of money in a specially designed whole life insurance policy and borrow against that policy to finance their debt, expenses, investments, etc.

Inside Debt

- This is debt that has been paid off to outside creditors and is converted into policy loans allowing the person to make the payments to themselves and reuse that money rather than making the payments to an outside creditor

Interest

- Money paid in exchange for borrowing or using another person/s or organization’s money

Mutual company

- A life insurance company that is structured so that the company’s owners are also its clients(policyholders). The mutual company’s profits are distributed in portion to the policyholders as dividends.

Modified Endowment Contract (MEC)

- An IRS rule that places restrictions on life insurance policies limiting how much money can be put into these policies (Technical and Miscellaneous Revenue Act of 1988-TAMRA or “7 pay test”). The MEC rule guides us in our design of the policies advantageously for banking, but still not allowing them to become an investment and facing taxes on the growth within the policy.

Outside Debt

- Debt or liability that is held by a bank, a credit card, or other financial institution requiring payments to them (usually with interest)

Passive Income

- Income that comes in that you can count on and you don't do anything to earn it at that time.

Policy Loan

- A loan from the life insurance company using the equity or cash surrender value accumulated inside your life insurance policy as collateral.

Stock company

- A life insurance company in which the shares of the company are held by stockholders. In addition, the profits of the company are shared with the stockholders in the form of dividends

Tailwind

- When one is able to make payments and interest to themselves and have access to those dollars again rather than making those payments to outside financial institutions. (Nelson's research found the average family is losing 34.5% of income to interest)

Term Life Policy

- A type of life insurance that guarantees a payment of a stated death benefit if the covered person dies during a specified term (number of years). Once the term expires, the policyholder can either renew it for another term (higher premium amounts), convert the policy to permanent coverage, or allow the policy to terminate.

Whole Life Policy

- A type of life insurance (used for IBC) that provides coverage for the life of the insured. In addition to paying a death benefit, it also contains a savings component in which cash value accumulates. Also called permanent life insurance.