EPISODE 534

[INTRODUCTION]

[00:00:00] ANNOUNCER: Welcome to The Real Estate Syndication Show. Whether you are a seasoned investor or building a new real estate business, this is the show for you. Whitney Sewell talks to top experts in the business. Our goal is to help you master real estate syndication.

And now your host, Whitney Sewell.

[INTERVIEW]

[00:00:24] WS: This is your daily real estate syndication show. I’m your host, Whitney Sewell. Today, our guest is Sarry Ibrahim. Thanks for being on the show, Sarry.

[00:00:33] SI: Thanks, Whitney. Thanks for having me on.

[00:00:34] WS: Now, I'm glad to have you on the show. A little about him, he’s experienced working as a licensed advisor, helping business owners protect assets from various risks. Also was an independent Medicare broker and consultant where he helped retirees transition from their retirement plans to their individual Medicare plans. Over time, he grew his practice to help not only retirees but anyone looking to build a healthier financial future through asset protection. For real estate investors, he recommends asset protection solutions which can protect investors’ assets from creditors and predators.

Sarry, thank you again so much for your time and just sharing your expertise today. We should all be concerned with protecting our assets and just how to do that properly, no doubt about it. But it's not always this simple process it seems. I enjoy having people on like yourself that can just break it down and just give us some simple steps to make that happen. But give the listeners a little more about yourself and let’s dive into this important topic.

[00:01:32] SI: Yeah, definitely. Thank you for that introduction. A lot of my work, especially when

I merged into the financial services industry, I became a Bank on Yourself authorized advisor and that's when we used the concept Bank on Yourself. It's a trademark. This concept uses whole life insurance, and there's pretty much two parts to the whole life insurance policy. There's the death benefit and there's the cash value benefit. Bank on Yourself is mostly concerned with the cash value part, and that cash value part is treated differently from other places you would place your cash like your checking account, savings account, money market, and different places like that.

A lot of real estate investors utilize these Bank on Yourself policies for their real estate portfolios, and other business owners and entrepreneurs do the same thing. People use it for retirement planning, and it's been a pleasure to help people engineer these policies based on their needs and wants and short-term or long-term goals.

[00:02:21] WS: Okay. It's foreign to me, but I'm looking forward to just diving into really what this means and how we do this.

[00:02:28] SI: Yeah, definitely. In terms of asset protection, as I mentioned, the cash value in a life insurance policy is treated differently from other places, and it depends on the state you live in. One tip is if you Google and you can search your state and then bankruptcy exemption. For example, if you're from the State of Florida, you would search Florida bankruptcy exemption or in the State of Texas, Texas bankruptcy exemption. Then you can see a breakdown of exempt assets versus nonexempt assets.

If you, for example, see in the State of Florida examples of exempt assets would be like your pension, IRA, 401(k), cash value life insurance, the home you live in, annuites. Then nonexempt assets in a lot of states would be like your checking account, savings, money market, brokerage account. So utilizing a proper asset protection plan would be shifting from the exempt side to – I'm sorry. From the nonexempt side to the exempt side to protect from various risks.

You don't have to necessarily break the law to get sued. You can just be a target based on the amount of money you make publicly. That can be enough for creditors and predators to reach out to you to try to sue you or to take advantage of that, so you want to make sure that your assets are protected from the public eyes if that makes sense.

[00:03:35] WS: It does. It does, and it's something we should all be concerned about in this business. If we're an operator and buying large apartment buildings, we're connected maybe through a series of ways but connected to thousands of people that are tenants or that are maybe not even a tenant but other people just outside too that want to attack somebody.

[00:03:54] SI: Right. Yeah, definitely. Again, you don't have to necessarily break the law intentionally. It can just be somebody was able to take advantage of you. Somebody had an opportunity.

[00:04:01] WS: Yeah, okay. Help us get this – Get started. I mean, where do I even start to do something like this if I've never heard of it before?

[00:04:08] SI: Yes. You are going to reach out to a Bank on Yourself authorized advisor. You don't want to go to any whole life insurance agent or life insurance agent, because it has to be a special type of whole life insurance through companies that are mutually owned. That way, you can earn dividends and interest on the cash value. You want to make sure the policy is engineered properly and structured properly. That way, the cash grows the first year immediately, and you always have access to that cash. When you do have access to that cash, you want to make sure that it's not going to affect the growth. You want uninterrupted growth, even when you're using that money.

[00:04:40] WS: The growth is not affected, even if I'm using it somehow.

[00:04:43] SI: Exactly, yes. For example, if you have a whole life policy. You have 100,000 in cash value in a policy and you come across a deal and you need $50,000 in cash and you borrow 50,000 from your whole life policy, you're not subtracting from the 100,000 cash value. You're borrowing from the insurance company using your $100,000 in the cash value as collateral, so you're collateralizing the policy. Meanwhile, you can use the 50,000 to buy your property or investment, and your 100,000 is growing earning interest and dividends as if you've never touched it because you're using the insurance company's money and not your money.

[00:05:17] WS: Okay. That's interesting, very interesting. I have to find somebody that's like yourself or somebody that’s an advisor that's familiar with the Bank on Yourself method and then earning interest on the cash value from day one. We want to make sure we always have access, and then that – I assume these are things we should be asking upfront with this advisor and making sure that it's uninterrupted when we want to take a loan from it.

[00:05:37] SI: Yeah, definitely. One key feature is the nondirect recognition loan feature, which means that when you borrow the money, the cash value is not interrupted, so you want to make sure that you’re looking out for that that you don’t want to take the policy out with a low company that has a direct recognition loan where you are affected if you use the money. You want nondirect recognition loan feature.

[00:05:59] WS: Okay. We find this individual. We’re asking these questions. Then what's next?

[00:06:03] SI: Next is funding the policy, and it depends on your goals and your needs and wants, right? For example, if you are looking primarily only to fund your real estate portfolio, you want a lot of cash on hand, that will look differently than somebody who wants to fund their retirement 30 years later. It kind of depends. We have a confidential analysis where we go through with the client. It takes about an hour to do, and we dive deep into their assets, their goals, their dreams, where they’re at, where their businesses are. We have our policy based on what we find in that confidential questionnaire.

[00:06:36] WS: If a passive investor wants to, say, invest 50,000 in a deal, is it safe to say they’d be better off to put 50,000 in one of these plans to gain interest there and then take a loan and then go put the loan into a deal?

[00:06:48] SI: Yeah, definitely. A couple reasons. One, because if they go through a lender, for example, to borrow that 50,000. Let’s just say they’re not using cash. They’re using another party’s money. They’re going to lose interest to that lender. The lender is going to profit from interest. Then let’s just say they use their own cash to buy the deal. They’re going to lose the interest they could have earned on that money, so they interrupt the growth of that money.

With the Bank on Yourself, you address those two needs. One is that you’re paying interest to a pot of money that you’re earning any dividends on, so you kind of recoup that interest. Two, your money is growing as if you've never touched that money, so you're not losing lost opportunity cost on your cash growing.

[00:07:26] WS: Even if, say, I wanted to buy a new house and I need to put $100,000 down for down payment, I mean, ultimately I should do the same thing here, right? So I can gain interest over here while also – Instead of just putting it in the down payment, I could've gained all that interest over here on the $100,000.

[00:07:44] SI: Yeah, definitely. It's recommended for any large purchases, including a down payment on a house. Yeah, definitely, I would highly recommend using it on a down payment. You can use it in integration with other things like a down payment if you want to buy a property for cash or pretty much anything. You bank on yourself. You become your own source of financing.

[00:08:00] WS: What's the benefit of growing this over here in this insurance plan or some other benefits?

[00:08:05] SI: Besides the financial benefit is also the asset protection benefit. In most states – and double check this in your state. In most states, the cash value of a life insurance policy is protected from creditors and predators, and there is six reasons why protecting your cash in Bank on Yourself policy is the best asset protection plan.

[00:08:25] WS: Play. Let's hear them.

[00:08:26 SI: Sure. Number one, fees. Let's just say, for example, that you wanted to implement an IRA or self-directed IRA. In a lot of states, that is asset-protected, but you're missing out on fees with that or – Because usually the fees are 1 to 3% every year, so you have to pay the advisor those fees.

With Bank on Yourself, we don't charge any fee. The fees that you pay are already included in the premium. For example, if you're doing $100,000 a year, all the fees are wrapped into that premium. There's no additional assets under management fees, so you save on the fees with Bank on Yourself as opposed to other vehicles. That's one reason why it's really good. Another reason why is control, which is really important. You don't have to reach a certain age or a certain time period to be able to access that money. You can access 85 to 90% of your cash value immediately. As soon as you fund the policy 85 to 90% of your cash value, you can start using it.

Third reason is volatility. As we record this, Whitney, we're in the middle of this whole COVID virus and we could see what's happening with the markets right now. It's really bad. In fact, in certain situations, it's worse than 2008, and Bank on Yourself policies haven't been affected by the cash value. The goals haven't been affected by anything going on. Because they're not invested in a stock market, they're in safe bonds, safe investments. It's not a volatile investment or volatile asset, so there's no market turbulence. It's not affected by them.

Number four, there are no contribution limits like with IRAs and 401(k)s and other qualified plans, you're capped. I think a 401(k) is 19,000 per year. Your IRAs are at $6,000 per year, same with Roths. These plans are capped. With Bank on Yourself policies there is no cap. There is no contribution limit. Some companies fund these in the millions and billions of dollars, so again there's no cap with these policies.

[00:10:15] WS: Okay. Keep going.

[00:10:16] SI: With number five, integration. With Bank on Yourself, using a Bank on Yourself type whole life policy, it's not a matter of either or. It's a both and solution. So instead of thinking do I allocate 100,000 to my real estate portfolio or do I put it into a retirement plan or do I put it – With Bank on Yourself, you can fund the policy and then use that cash for other purposes, other areas of your life. You can use it for internal source of financing to build your retirement plan, for employee retention, to come across cash deals in real estate, all at the same time with the same dollars you have. Again, it's about integration and not necessarily having to choose investment A or first investment B. You can integrate it with different areas of your life and business.

The number six is the most important is the taxes. The tax – In most situations, in a lot of situations, the growth of the whole life policy, the cash value, it grows tax-deferred. When you take the money out in a lot of situations, it's tax-free. For example, if you're earning income and you pay taxes on the income deposited into the policy using after-tax dollars. When you go to take it out, you're using – It's tax-free at that point since you've already paid taxes on it. This protects a lot of investors and entrepreneurs when tax rates go up.

I think right now the highest tax rate is like 37%. So if you pay tax on a money deposit to capitalize your Bank on Yourself policy, and then let's say 10 years from now the 37% bracket goes to 50%, you protected yourself from that growth now or from the increase in taxes because your policy you use after tax dollars. You take the money out tax-free and it would continue to grow that entire time while you can use it for other areas of your business and life. The tax-free component is really, really important with Bank on Yourself and with asset protection.

[00:12:03] WS: What is the typical type of return or interest rates we're going to get by putting our money there?

[00:12:10] SI: Typically, they're not really high with Bank on Yourself. It's not the point of it. Usually between 4 to 6%. It's the guaranteed growth that really counted Bank on Yourself, as well as liquidity and control, so you can use the cash value that you're building to fund those high return investments you're looking for. The actual Bank on Yourself policy, to answer your question, Whitney, earns pretty much between 4 and 6% on a guaranteed basis.

[00:12:35] WS: That's better than what you wouldn't earn if you just put it somewhere else, right?

[00:12:39] SI: Yeah, exactly.

[00:12:40] WS: But you said guaranteed. I mean, guaranteed. Is it really guaranteed?

[00:12:45] SI: Yeah, it's really guaranteed. With the life policy, there's two sections. There's the guaranteed part that guarantees you in writing an in illustration. Then there's the non-guaranteed part. Now, the non-guaranteed part, of course, is for legal reasons. The insurance company would have to notify that the non-guaranteed side is how much you could earn in dividends, because dividends aren't guaranteed. However, Bank on Yourself only represents companies that had been paying dividends for over 160 years, including during times of the

Great Depression and the 2008 crash. Again, it’s not guaranteed. Dividends aren’t guaranteed, but they've always paid them if that makes sense.

[00:13:23] WS: I was thinking about this process. If I put 100,000 in, I can borrow, let’s say, 80% or I’m going to take 80,000. Do I have to pay that 80,000 back before I can contribute to put more in or how does that work?

[00:13:37] SI: When you borrow – For example, if you have 100,000 in cash value and you borrow 80,000, you make your own terms and the rules usually are within reasonable time to pay that policy back. You set up a time structure to pay it back. While you're paying back that policy, your loan, you can still contribute to the actual premium. If it’s $100,000 a year policy, you can contribute $100,000 a year. While you have a loan, you’re paying back your loan on your own terms. Did I kind of drift away or did I answer your question?

[00:14:09] WS: No, it does. We’re going to set up our own terms. We’re going to be paying back that loan that we have over here. But then can I still contribute to like that 100,000? Can I make it 120? If I have 20,000 I want to put in, can I make it 120 even though I hadn't paid back that 80,000 yet?

[00:14:25] SI: Good question, yeah. There’s something called the modified endowment contract or MEC. That’s when you turn a life insurance policy into a taxable vehicle, and we want to avoid doing that. All policies based on your income and based on how much you are approved for has “room for growth.” That room is what you're talking about, adding 20,000 or adding a certain amount of money extra per year on the policy, and that would depend on how much you’re approved for and how much the policy value is.

Let’s just say, for example, you want to add 20,000. You could do something like that as long as you don't go over your limit for it to become a modified endowment contract. A lot of times, 20% or 20,000, that would make sense to add that to the policy. But if you wanted to add another 100,000, then you would MEC the policy. You would make it into a modified endowment contract. What we would recommend to avoid doing that to make this tax-free is you get a separate policy.

[00:15:21] WS: Okay. I was just thinking. I might borrow 80,000 and go put it right back in.

[00:15:29] SI: Yeah, yeah.

[00:15:29] WS: Tell me the negatives behind doing this. There's got to be something, right? There's got to be some risk or something?

[00:15:35] SI: Yeah, definitely. The negative – number one there is an insurance cost to this. If you were funding, for example, 100,000 for the first year, there would be an insurance cost within the first couple years to build the policy to guarantee the death benefit, the administrative cost associated with the plan. That was pretty much a downside to it. Then, of course, when you borrow that money, you would have to pay it back. If your loan amount exceeds your cash value, then the policy can lapse. Those are pretty much two downsides; the fee associated with the life policy, as well as you have to pay back that loan to avoid the policy from lapsing.

[00:16:10] WS: Okay. We have to pay back the money that we borrow.

[00:16:14] SI: Yeah.

[00:16:14] WS: That is a negative, right?

[00:16:16] SI: Yeah. You also don't want to steal from yourself, right? You're your own banker. This is with your own "bank." Not actual bank but it's like your own bank. You don't want to steal from yourself.

[00:16:25] WS: That's right. What else do we need to know to do something like this? Or what are some common maybe questions that you get doing this every day that I don't even know to ask you because I'm not as familiar with this type of process?

[00:16:35] SI: Yeah. A lot of questions are on liquidity, being able to access that money. Again, you can access 85 to 90% of that money, the cash value. Other questions are like, "What if I missed payments?" Usually, you want to kind of – Before we dive into funding these policies, we want to take a really good look at what you want to do. Again, it all comes down to that confidential questionnaire and figuring out what your goals are. It's not supposed to be a commodity that we just sell. It's more of actual solution that we help people build.

[00:17:03] WS: Okay. It's a solution that you help people build. I like that. When should somebody look at something like this? Is there a minimum? Let's say I've got $5,000 that I'm fixing to do something with. But wait a minute. If I could earn some interest over here on it before I go spend it over there, should I still consider something like this?

[00:17:20] SI: Yeah, absolutely. That's what I did with my first policy. It was a small policy, around $300 a month, and I started doing that. I mean, my first year I had like 1,400 in cash value. But the point was I started doing that just to get in the momentum of building that guaranteed cash and getting that interest going. I had room in the policy to add more to it and that's what I did eventually, adding more to the policy and I had another policy. But, yes, definitely, if you have – There's no really minimum amount. I think it's really important to get into the knowledge of it to study this more, to talk to a Bank on Yourself authorized advisor, to do the confidential questionnaire, and to get the ball rolling.

Then when we do come up across those large deals and those large investment deals you're ready to protect that money and you have a better idea and it will actually make you more competitive. For example, in 2008, when the market crashed, a lot of banks stopped giving out money, right? So cash investors had that upper hand in the market, but they also didn't have the upper hand on earning interest on their money even when they used it. That's when Bank on Yourself comes in. So it's better than using cash.

If you have the knowledge and you know how these policies work, at a younger age or with less money, you have more experience when that time comes when you do have more money if that makes sense, Whitney.

[00:18:34] WS: Sure. How many policies can you have?

[00:18:36] SI: There's no limit. There's no limit to policies. No limit to contributions. It does depend on how much you make, but there is a lot of different ways that we can get you approved for different policies. But to answer that, there are no limits on how many policies you can have.

[00:18:49] WS: If I was fixing to spend 50,000 on something, I could just go open a policy for that. Take out a loan and do that. Then if I had another investment I'm going to invest 100,000 in, then I could just go start another one.

[00:19:00] SI: Exactly, yeah.

[00:19:03] WS: What else do we need to know that I don't even know to ask you? Or just thinking about like getting started with something like this? I think some people are going to say, "Oh, it's too good to be true," right?

[00:19:12] SI: Yeah. Like you mentioned, the two downsides is the insurance expense and then the – You have to pay back the loan. It'It's going to take a couple years for you to see the real growth of it. Starting a business, it might take you two to three years. That's usually the benchmark for starting a business and a lot of businesses. If anything, with the Bank on Yourself policy, it will take you two to three years of discipline to get to that growth mark.

[00:19:37] WS: That growth mark, what does that normally look like for most clients?

[00:19:40] SI: For most clients, the growth part between three years and up is when the policy actually, the growth of the policy outweighs or outpaces what you're putting into it. For example, if you're putting 100,000 in, eventually after about year three and depending on how much you can get approved for and how it's structured, after year three and four and going forward, the policy starts compounding and the cash flow starts growing more than what you're putting into the policy. For example, if you're putting 100 in, your cash value is growing by 105, 110, then the fourth year by 115. The fifth year – It's outpacing what you're paying because of the policy.

[00:20:19] WS: All right. So we've been putting it in. We've been putting it in. I assume that the interest that we're gaining is going right back into the policy, right?

[00:20:26] SI: Definitely, yeah.

[00:20:27] WS: Then we can borrow from it as it grows I assume, right?

[00:20:30] SI: Yup. As it grows, you can borrow from it. There is no credit check, no qualification period. There's no reason. They're not going to ask you what are you using this money for. There's a lot of qualified plans like a self-deducted IRA or IRAs. IRA's restrictions on how you can use that money, right? You can't invest in your own assets. You can't touch those assets. They have to be passive. Things like that. With Bank on Yourself, you're never going to come across those restrictions or regulations with that cash that you use.

[00:20:58] WS: How can the money be lost?

[00:21:00] SI: If you borrow, don't lose and don't pay it back. Or if you borrow the money and made a really bad investment, you should be on the hook to pay that back. But that would be the same scenario if you use cash, right?

[00:21:10] WS: Right.

[00:21:10] SI: If you use 50,000 in cash, you lost it over a deal, it'd be the same thing as borrowing 50,000 from your life policy and then losing in a deal.

[00:21:17] WS: Yeah, okay. Wow! I mean, but getting started, I'm just thinking any other setbacks we could think of? We're about out of time but I just wanted to give you another opportunity if there was something that would help somebody to get started in doing this.

[00:21:29] SI: Yeah, definitely. Reach out to a Bank on Yourself advisor. I'd be more than happy to help you out. All consultations are free. We get paid directly from the insurance companies, so you don't have to worry about service fees or consultation fees. It's all confidential, and we can walk through at your own pace and see what you like to implement. If you like to go as big as possible or kind of just get an idea of how this whole thing works. Either way, we're more than happy to work with you.

[00:21:51] WS: Just a couple last questions. Tell me a way that you've recently improved your business that we could apply to ours.

[00:21:56] SI: Yeah, definitely. I'm a really big fan of like motivational books and I came across one theory, the growth mindset. It's actually a book called *Mindset* by Carol Dweck, and the book pretty much differentiates people with fixed mindset and people with growth mindset. I'll give you an example. Let's say that you're a real estate investor and you invested $50,000 into a deal and you lost all of it. Now, there's pretty much two outlooks to that. There's the fixed mindset and there's the growth mindset. Fixed mindset would say you lost $50,000. That was a lot of money. You shouldn't have done that. It was a really bad decision. It's going to take you a long time to get that money back. They're all negatives, and you're going to affected by losing that money.

The growth mindset would say, "Yeah, you lost $50,000 but you've never done that before. You've just gained experience now. You're part of a group of real estate investors and mentors now. You're going to learn from them. You now know what not to do in the future, so you've kind of benefited from this, losing $50,000." It's – both investors lost the same amount of money but the mindset changes everything. The fixed mindset, of course, would give up and you go down a different route. The growth mindset would probably become a billionaire. Who knows what could happen? The mindset thing I really liked and I think that it can help a lot of real estate investors and entrepreneurs.

[00:23:15] WS: I found my biggest changes started with me. Our biggest business changes started with me, and ultimately like personal growth. I love that stuff as well. I appreciate you sharing that. Tell us how you like to give back.

[00:23:28] SI: Yeah. I like to give back by asking people referrals. I work with a lot of people. I ask them how can I help you with your business. What will it take to grow your business or help you with your business? A lot of times, you just got more clients and I'm happy for that. I like to refer to other people. That's how I like to give back.

[00:23:44] WS: Nice. Well, Sarry, thank you so much for your time today and really just exposing us again to a method that we don't hear of very often. I just had one or two people on I think that's talked about this out of, well, over 500 shows now. It seems like a great opportunity. I know I'm going to investigate it more myself as well. But tell the listeners how they can get in touch with you and learn more about you.

[00:24:03] SI: Yes. You can go to finassetprotection.com. That's finassetprotection.com. You can click on the calendar link and book an appointment with me or shoot me an email. Everything is on the website. I look forward to hearing from you guys.

[00:24:16] WS: Awesome. That's a wrap.

[00:24:17] SI: Thank, Whitney. Thanks for having me on. Appreciate it.

[END OF INTERVIEW]

[00:24:20] WS: Don't go yet. Thank you for listening to today's episode. I would love it if you would go to iTunes right now and leave a rating and written review. I want to hear your feedback. It makes a big difference in getting the podcast out there. You can also go to the Real Estate Syndication Show on Facebook, so you can connect with me and we can also receive feedback and your questions there that you want me to answer on the show. Subscribe too, so you can get the latest episodes. Lastly, I want to keep you updated. So head over to lifebridgecapital.com and sign up for the newsletter. If you're interested in partnering with me, sign up on the contact us page, so you can talk to me directly. Have a blessed day, and I will talk to you tomorrow.

[OUTRO]

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