Debt2Capital™

Turning Today's Debts Into Tomorrow's Capital

By Smart Publishing

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Prologue Insight

In America, regardless of your income level, it's easy to get trapped in debt, despite working hard and earning a good salary. Although debt can be useful for financing certain investments, personal debt can lead to persistent problems. Getting out of debt is difficult, once you are in it, even for those earning high incomes. Often, just as you pay off one debt, a big expense hits you and you are right back where you started (or worse off, especially as things become more and more expensive).

The American dream of owning a home, a nice car and enjoying the finer things in life can turn into a financial nightmare as interest on amortized debts keeps you indebted. When debt is amortized, interest owed is front loaded and principal payments are quite small early on, making it easy to see why debt is an American epidemic, thwarting financial growth and personal freedom. Einstein said it best: "Compound interest is the eighth wonder of the world. He who understands it, earns it. He who doesn't, pays it."

In this book, we will help you understand how you can use *Debt2Capital*™ to flip the script, taking you from being on the paying side of debt to becoming a beneficiary of Einstein's proclaimed 8th wonder. You'll learn how to accumulate capital while you pay off your debts and build resources for future purchases you will inevitably make, all with a plan that doesn't require loans from banks, auto financiers and credit cards.

The *Debt2Capital*™ system can take years off your current debt repayment timelines, sparing you from long-term, lopsided interest expenses on borrowed funds. But the continuing benefit of the plan is that it can give you a lifelong debt-avoidance strategy for those inevitable future purchases, keeping you off the debt merry-go-round once your current debts are paid off. Although it takes diligence on your part, the *Debt2Capital*™ system doesn't require you to strip yourself of life's enjoyments and force you to live like a pauper. You will still be able to buy things, have fun, go out and eat good dinners, and enjoy nights on the town, but you'll have a systematic plan to rid yourself of that debt over time.

The *Debt2Capital*™ system has helped Americans just like you finally make progress toward eliminating debt. It's why we're so proud to have embarked on this mission. Shortly after I built the original program in 2017, an incredible advisor named Tracey Spikes became the first *Debt2Capital*™ client, making his story – which I will share later in the book – so valuable. I can't wait for you to read his story and learn how the success he experienced led him to help so many more people, just like you.

This book will show you detailed examples of how *Debt2Capital*™ spins the compound interest tables in your favor, not just tackling your debt faster, but also steadily building up cash value in your *Debt2Capital*™ plan so you can go forward debt-free. You will be amazed when you see the visual output from the software program showing a client who *would be* six figures in debt after seven years *instead* having tens of thousands in accumulated capital funds for future purchases – eliminating the need to become a borrower again, with their money instead compounding in *their* favor. These differentials are quite compelling but like any good plan, these results do require a period of focused effort – but the outcomes are life altering.

The great news is once money starts compounding for you, it never stops. You'll grow more and more cash value over time and that cash value conveniently grows tax free! By leveraging your growth, you can "snowball" debt repayments to eliminate debt faster and begin to self-finance your future major purchases. Then, as you pay yourself back, you compound your capital like the banks, credit card companies, student loan lenders, and automobile financiers have been doing for themselves for decades.

The *Debt2Capital*™ system helps you manage these strategies through a well-defined process and the assistance of a professional who understands how debt works and has access to the *Debt2Capital*™ software, which has advanced communication technology to make sure you stay on track and keeps you informed every step of the way in real-time via text messaging specific to your debts and the accumulation of your capital.

The *Debt2Capital*™ system extends beyond elimination of debt. On the plan, when you have achieved your goal of being free from lenders, you continue to accumulate your net worth through traditional planning, such as funding your 401(k), IRAs, Roth IRAs, and other assets.

Once you are finished reading this book, you'll understand the value of the *Debt2Capital*™ system and how the software becomes your debt elimination AI assistant. The professional who gave you this book has access to the proprietary *Debt2Capital*™ software and will help build your personalized plan at absolutely <u>no cost</u> to you. It is a requirement of the system that all the planning be done at <u>no cost</u>, so you can see the benefits of your plan without paying a fee to do so.

Before we get into the planning techniques, I want to make sure that all the aspects of the plan are fully transparent in advance. The “A Word About *Debt2Capital*™” section is written as a prospective user's guide. The *Debt2Capital*™ math works incredibly well but before we get to the outcomes, I want to make sure you understand all the mechanisms involved in the planning process before starting your journey into the *Debt2Capital*™ process. Lastly, I want to give you my most sincere congratulations on starting your journey to transforming *Debt2Capital*™!

Yours Truly,

Matt Zagula

A Word From Debt2Capital™

The *Debt2Capital*™ program works through purchasing a very precisely designed whole life insurance policy with two distinct components: a death benefit and a cash value that compounds over time. The *Debt2Capital*™ software will help monitor the cash value growth in your policy so you can borrow against your whole life policy to pay off current debts – taking advantage of the fact that life insurance loans differ, in an advantageous way, from traditional borrowing, which will be covered in detail as you read.

The system monitors your debts via monthly soft credit pulls through Experian's vantage scoring system, which will not affect your credit score. The software's automatic monitoring of your cash value and current debts will ultimately lead to you becoming debt free, then assist you in building capital for future purchases.

The ultimate goal of the *Debt2Capital*™ program is to help you avoid using financing for future purchases and to eliminate your existing debt while working within your current budget. *You'll spend the same amount each month, you'll just allocate your dollars in a different way*.

Before you get started, you should know the following about *Debt2Capital*™:

- *Debt2Capital*™ was created for people with sufficient household income. They must have the financial means to make their current regular payments against their existing debts while also having extra money in their monthly budget. If you are struggling to make your monthly payments now, *Debt2Capital*™ unfortunately will not help you.

- *Debt2Capital*™ is not a debt relief or debt settlement program. It does not renegotiate, settle, or in any way alter the terms of your current payments, interest rates on current debts, or any other terms of your existing debt(s). *Debt2Capital*™ does not make payments for you or combine your loans into one or more new payment obligations.

- The cash value is to be used to pay off debts when the value is greater than your smallest loan balance. You'll be notified through automated text messaging and email when you have sufficient cash value to pay off a debt.

- Some of the money you pay into the insurance is applied to the savings component of the policy. Some of the money will go to expenses that pay benefits if you die, become disabled, have a chronic illness, critical injury or become terminally ill.

- When you borrow money from the cash value portion of your policy (to pay off a debt, for example), the policy issuer charges interest on the outstanding principal of that loan. Since the loan is technically a lien against your cash value and death benefit, repaying it allows the cash values to keep accumulating as it would have had you never taken a loan. ***This is very important to understand because over time the compounding effect of the cash value reduces borrowing costs significantly.***

- Additionally, during the loan period, the policy issuer continues to increase your cash value's compounded balance. ***The net effect can be very favorable when this accumulation is <u>greater than</u> the total sum of loan repayments*. *This results in a lower effective borrowing cost as the accumulation offsets the cost of borrowing*.** <u>**This is the single most important aspect of your *Debt2Capital*™ plan.**</u>

- The type of whole life policy used for a *Debt2Capital*™ plan differs from the typical whole life contract because it has immediately accessible cash value not offered by all insurance carriers and has a guaranteed cash accumulation value, which is not market driven.

- ***The success of your Debt2Capital™ plan relies on your ability to honestly repay the loans you've taken against your policy.*** Failure to do so will not result in your desired outcome of becoming debt free with capital accumulated for future inevitable purchases. That said, a major benefit of *Debt2Capital*™ is flexibility compared to a loan from a financial institution, but abusing the flexibility you've built in will yield a poor result.

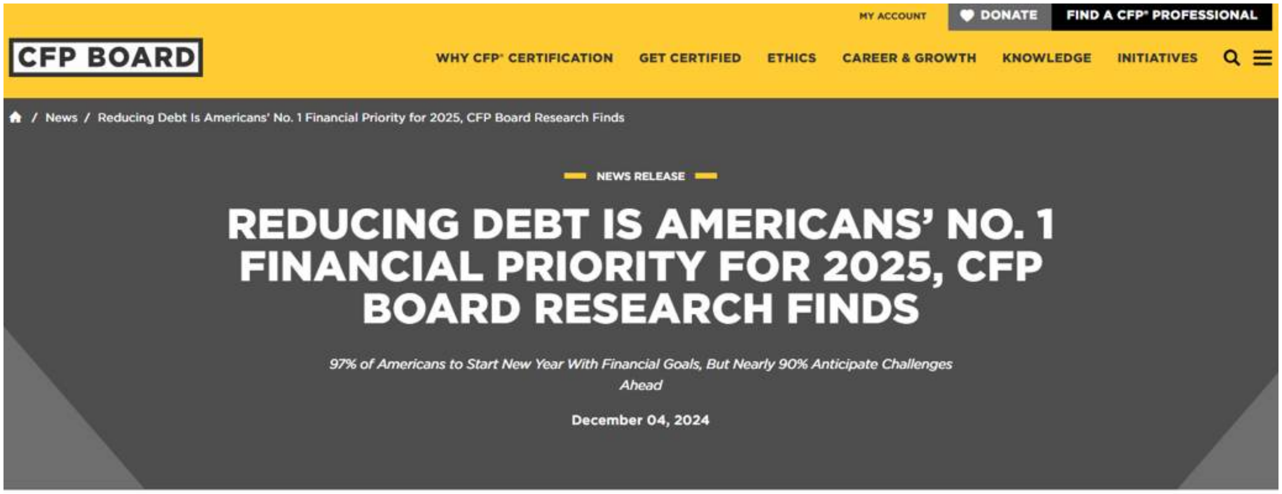
- If you borrow money from the cash value portion of your policy and die before full repayment of the loan, the death benefit of your policy will be reduced by the amount of the outstanding loan balance but will always be more than the premiums you paid. The amount exceeding the loan balance owed to the policy issuer will be paid to your beneficiaries at death, tax free.

- The *Debt2Capital*™ software does monthly soft credit pulls in full compliance with the Fair Credit Reporting Act.
- Under NO circumstance will you ever be charged for your *Debt2Capital*™ planning report. In the event you are, please contact Smart Publishing immediately to report the event. Smart Publishing: 1-800-499-0797.

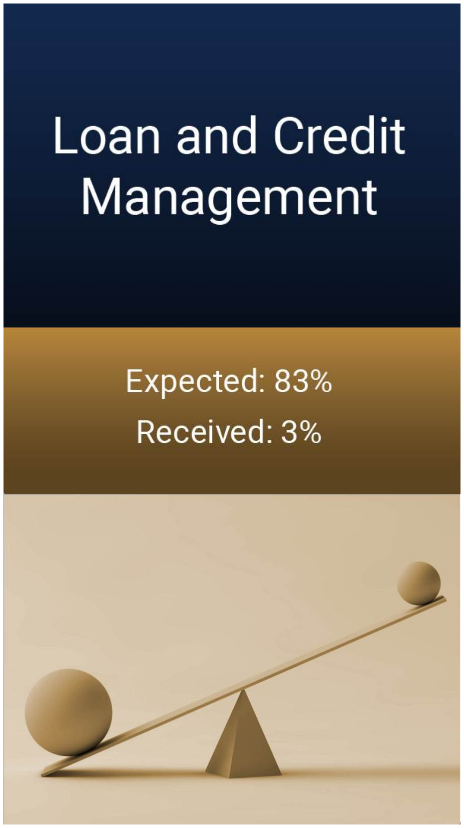
Smart Publishing wants you to go into this program fully informed, so read the book, ask questions, and determine whether *Debt2Capital*™is the right solution for you.

Chapter 1: Concerned about paying off debt and financing future purchases? You aren't alone.

If you are thinking about paying off debt or buying something major in the coming year, you are not alone. According to the CFP Board's 2025 New Year's Resolution Report, Americans today are most concerned with reducing their current debt obligations and saving for a major purchase in the near future – more so than planning for their future retirement.[1] The report finds 63 percent of responders either want to reduce their current debts (42 percent) or save for a major purchase (21 percent) while only 14 percent are prioritizing their future retirement.



[1]https://www.cfp.net/news/2024/12/reducing-debt-is-americans-no-1-financial-priority-for-2025-cfp-board-research-finds



Despite the fact that the majority of people are concerned with their debt, a comprehensive study has confirmed that financial planners and financial advisors are *not* providing their clients with the strategic advice necessary to pay down current debt and fund inevitable or desired future purchases. This study, done by the Spectrum Group, found that 83 percent of the advisory clients surveyed wanted loan and credit management services from their advisor but only 3 percent felt they received adequate advice on these topics.[2] That shows there is a ***huge gap*** between what is needed by Americans, help with better managing debt and what is actually being delivered.

Since 2017, our top priority has been to help everyday folks who earn good money understand just how damaging unmanaged liabilities are to their futures. *Debt2Capital*™ not only illustrates the harmful effect of debt on every consumer, but also helps people implement solutions to create capital that expedites debt repayment and prevents future debt on eventual big-ticket purchases using a self-funded approach to future inevitable expenses.

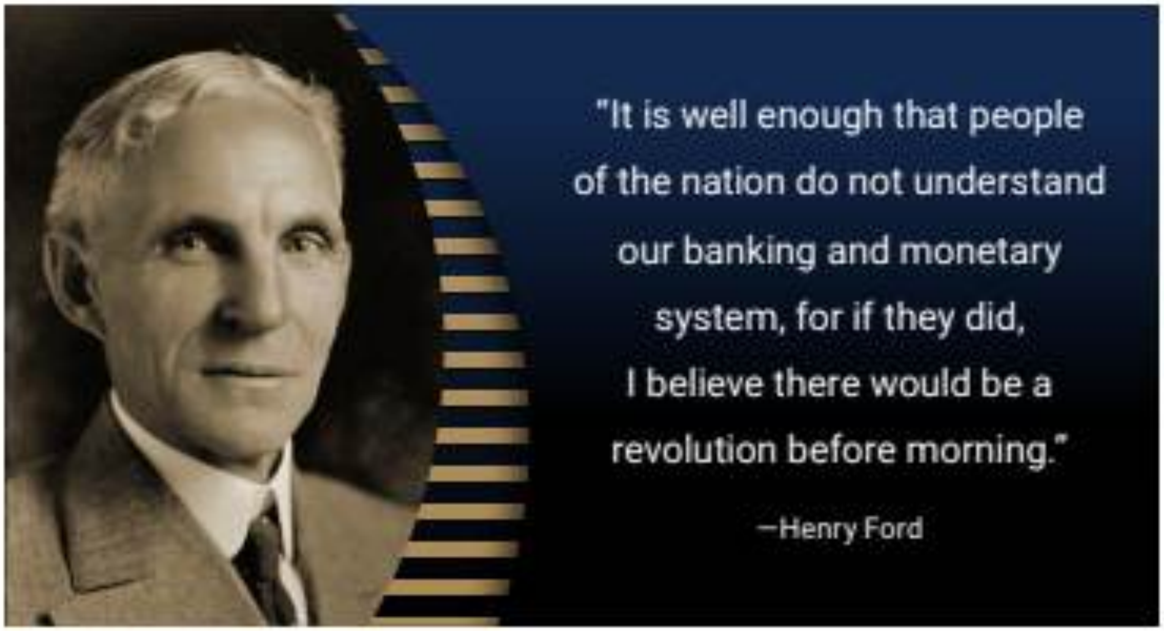
When you take on debt, the problem is not *just* that the interest goes straight out of your pocket and onto some financial institution's balance sheet, with no wealth-accumulating value to you at all. It's also that when you spend money on a debt, you pay an invisible opportunity cost, because those interest

[2] https://www.thinkadvisor.com/2021/08/18/top-14-advisory-services-clients-want-but-arent-getting/

payments are dollars that could have been used to accumulate assets such as real estate, equities, and other income-producing opportunities. This opportunity cost equals every dollar that you would have earned on those interest payments for your lifetime. There's no question that the money you pay in interest would be far better utilized building your own personal wealth. Unfortunately, once it leaves your account, that opportunity to use that money to compound interest and appreciate gains for yourself is lost <u>forever</u>.

When we spin the tables on compound interest, making it work *for* you instead of *against* you, it gives you a clear and defined path to a better financial future, not just for you but for generations to come. As you'll read later in the book, the *Debt2Capital*™ system allowed Tracey, the first *Debt2Capital*™ user, to personally clear hundreds of thousands in debt, saving him years of additional monthly payments and hundreds of thousands of dollars in interest costs, while also providing a method for self-funding future inevitable purchases and helping him stay debt free without sacrificing his lifestyle.

While each individual's situation is different and your specific *Debt2Capital*™ plan will be unique to you, I truly believe in the long-term benefits of the *Debt2Capital*™ process. As Tracey says, "This strategy has changed my life and brought me financial peace of mind faster than I thought possible." We are hopeful for the same result for you – but it starts with understanding how debt ***really*** works and why it has been mismanaged for so long. Henry Ford understood this way back in 1922 when he said:


"It is well enough that people
of the nation do not understand
our banking and monetary
system, for if they did,
I believe there would be a
revolution before morning."
—Henry Ford

Chapter 2: The complete failure of traditional financial planning and investment advisors to address America's debt dilemma

Over the past decade, life in America has transformed. With supply chain issues, inflation, and skyrocketing home and rent costs, more and more families with relatively high household incomes have turned to debt to maintain their lifestyle. What might have first been seen as a temporary fix is now spiraling into a full-blown indebtedness crisis.

This is a crisis most people have no clue how to get out of, because amortization (the math behind how loans work, which we'll cover later) is quite confusing … perhaps intentionally so.

You don't need to understand complex mathematical formulas to see that debt is a problem. You can simply look at its dramatic rise over a recent ten-year period. In 2024, total US household debt hit $17.94 trillion. That's trillion, with a T and twelve zeros.

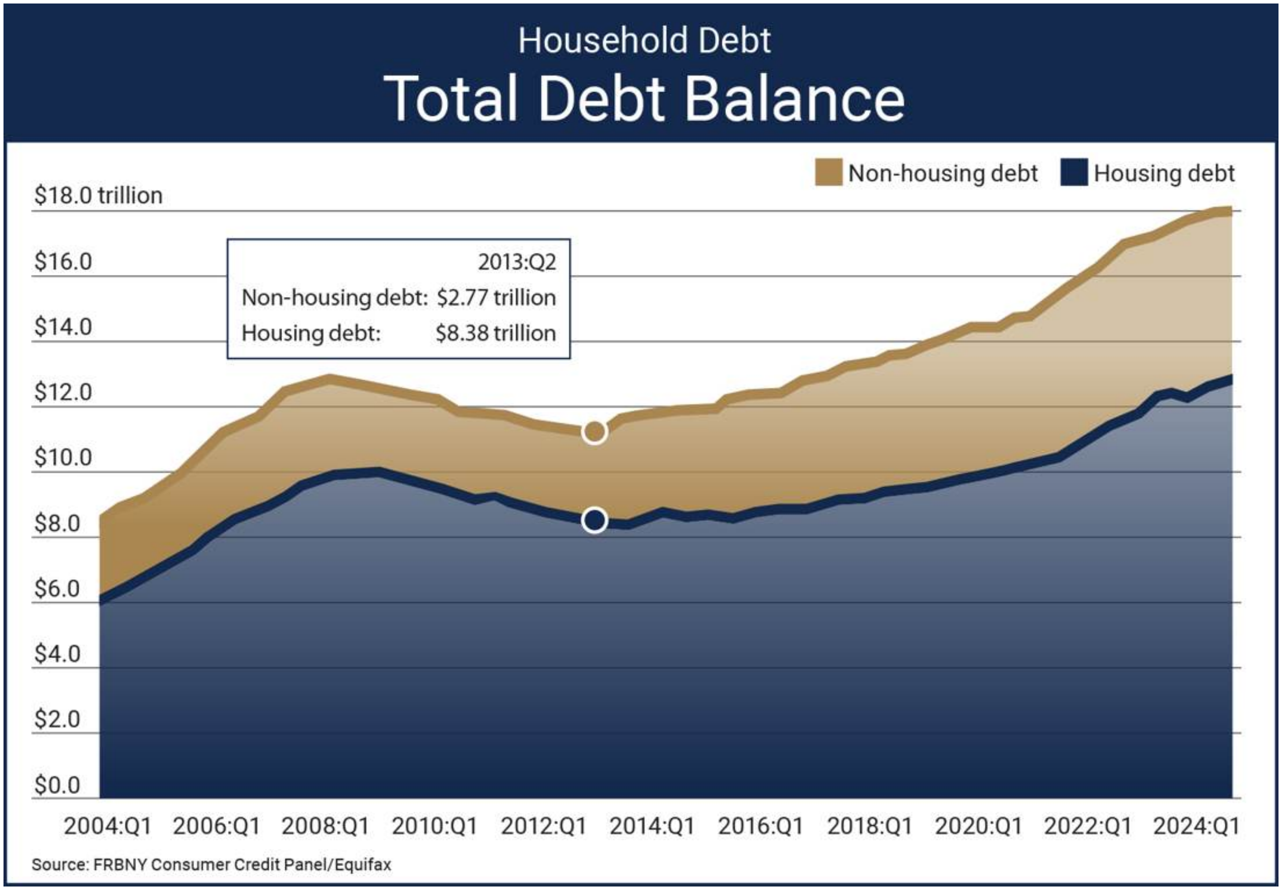


Figure 1

This adds up to more than $67,000 per adult living in America, up from around $13 trillion in 2014. When you further consider that not everyone is in debt in America, it shows how seriously strapped some Americans are with the burden of it.

Let's look at the numbers:

By the end of 2024, consumers in the United States had more than $1 trillion in personal credit card debt, compared to the $880,000 million they had in 2014.[3]

Auto debt by the end of 2024 reached $1.57 trillion, up considerably since 2014 when it was just $890 million.

The average monthly car payment hit $754 per month, up from $482 in 2014. That's a 76 percent increase in automobile loan indebtedness where the average payment is up by more than 55 percent.

Yet, the average wage index is only up by around 35 percent during that same period.

This gap has been a constant over time, making automobile affordability ever more difficult and much more expensive per unit of earning.

[3]https://www.newyorkfed.org/microeconomics/hhdc

Having a car isn't a luxury, it is a necessity to get to work, go grocery shopping and have mobility for your life and happiness. As that gap continues to widen, an ever-increasing percentage of the average American's earned income will go to this monthly expense. That is why having a plan to build capital to self-fund major purchases is of such importance.

Mortgage debt has increased by nearly 22 percent, reaching $12.44 trillion in 2024, rising from $10.20 trillion in 2014. The surge in home prices has made home ownership much more difficult all while rents have risen at a near identical pace, as lower wage increases during that same period make down payment accumulation increasingly difficult for most, including six figure annual earners.

Then, of course, there is student loan debt, another $1.77 trillion as of 2024 – rising 58 percent from 2014's $1.12 trillion.

Indebtedness in America is growing exponentially, but what's of great concern is that much of this debt has grown higher over the past decade. The fact that this is not a new trend illustrates how traditional financial planning approaches to managing debt have failed with little to no change in how debt is addressed in personal financial planning. It's been said the definition of insanity is doing the same thing over and over and expecting a different result. It is fair to say traditional financial planning has insanely failed in helping Americans to better manage and eliminate their debts!

Debt Category	2004-2014 % Change	2014-2024 % Change	Decade That's Worse
Total Household	+44.3%	+32.8%	2004-2014
Mortgage	+36.2%	+22.0%	2004-2014
Credit Card	-5.6%	+33.0%	2014-2024
Student Loan	+344.3%	+58.0%	2004-2014
Auto Loan	+50.8%	+76.4%	2014-2024

Figure 2

The further troubling reality is that when you are indebted to others, they own your future until you pay them off. So, the bankers and lending institutions profiting from the interest you pay end up earning compounding profits for their shareholders, not you.

Reading further, you will learn that it is a single number – one little-known formula – that makes this cycle of debt perpetually continue. You'll also find that this trend can only be broken by having a systematic plan to accumulate capital because ultimately, it is the lack of capital that leads to a dependency on debt. Saving for your future retirement is smart but for many dealing with debt today, retirement is a very, very far-off journey into the future. The burden of debt in the years before retirement can make this journey seem insurmountable. Just when you feel like you are "out from under it," an inevitable bill pops up. Without adequate funds to pay for it, debt becomes your only option. When you are out of money, you are out of options.

How It All Starts …

How many people do you know in your circle of friends that like being in debt?

No one enjoys being in debt. People don't seek it out like they would a limited-edition collectible. Debt often happens because we look at our finances through the lens of our *gross* income. Gross income is the amount we're paid before deductions like health insurance, 401(k), and taxes. It's the amount we'd **like to believe** is our disposable income, as we forget how much of it disappears before our net paycheck ever hits our bank accounts.

What we *actually* have to live on – what we really receive in exchange for our work to fund our lifestyles – is the amount that's left <u>after</u> taxes, insurance, retirement plan contributions, etc. This *net* income pays for fun and for bills: rent and/or mortgage, utility bills, vehicles, insurance, groceries, and so on.

So, while your gross income might appear to be more than enough to drive that nice car you like, own the designer purse, fund a more lavish vacation, and live in the nicer neighborhood in town, your *net income* dictates a different reality. The car your **net** income can afford may not be quite as nice as you'd like. The purse, more Target than Gucci. The vacation less resort and more bargain hotel. The house? Maybe not located in the new development built around the country club.

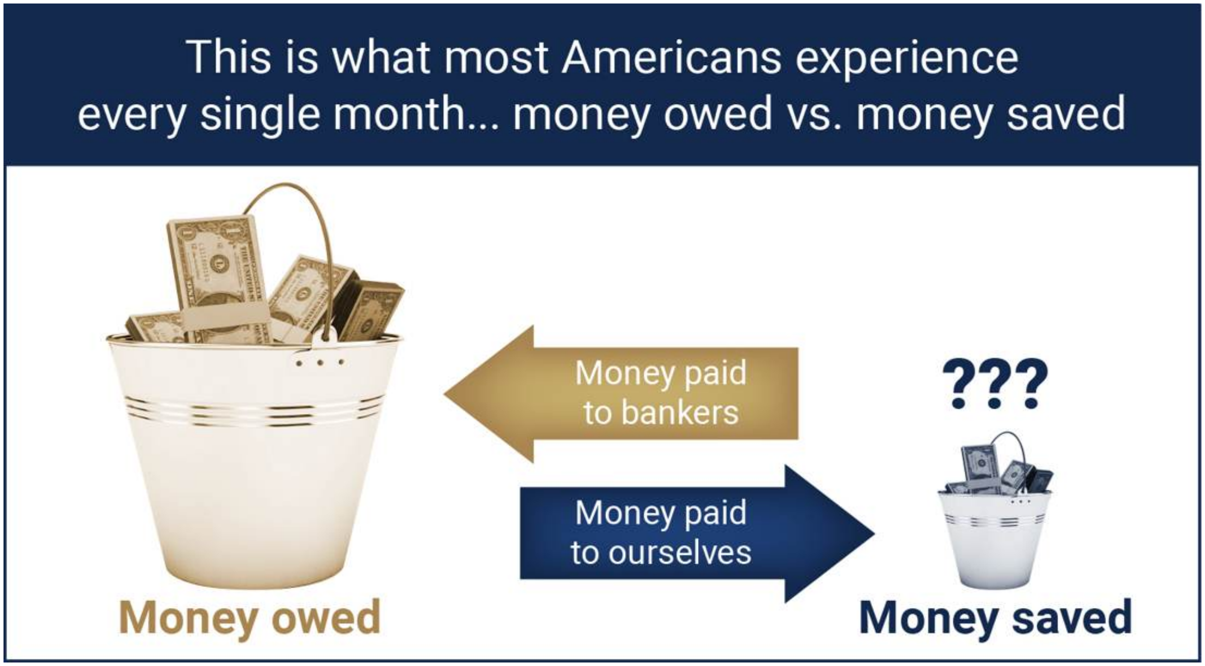
Recognizing that your net income doesn't afford you exactly what you want means accepting that you can't immediately afford to have the fun, happy lifestyle you see on TikTok and want for yourself – unless you use debt. And saying, "yes" to debt is much more attractive than waiting until you can pay cash for what you want.

But the consequence of relying on debt can be financially painful; over my professional career, I've seen the average person spend about 25 percent or more of their take-home income on debt payments *every single month*. If you're paying 25 percent (or more) of every paycheck to somebody else, it's hard to get ahead financially. Even if you do at some point get debt-free or reduce your debts to a manageable level, the very next time you make an often-necessary future purchase, you're right back in the debt trap again. Cars get old, better houses become available, work clothes need to be replaced, your kids need (and deserve) a quality education and, if you are a business owner, equipment and inventory costs can be substantial, especially with inflation. Not to mention things break – new windows, a roof or some dental work and you are right back in debt.

I see this pattern repeatedly when working with folks just like you who are making a good amount of money each month. Debt isn't a poverty thing. Six-figure earners all across America feel cash strapped, perhaps more than any other earning class. Having too much money going to debt payments and only a little left at the end of the month for saving isn't a "poor" thing, it's a reality for the vast majority of hard-working gainfully employed Americans.

We see what our clients send to banks and lenders every month and it seems, over the years, to be a constantly increasing amount, leaving less and less to keep for themselves. So, if you're not earning interest on your money, who is? Financial Institutions.

Still, over-emphasis on paying debts is an equally slippery slope, because if an emergency expense comes up and your after-tax savings can't cover it, there's only one answer: take on more debt and end up further and further in a financial hole. The same is true of being all-in on your 401(k) if you are under age 59 ½, when distributions are taxable *plus* you incur an early withdrawal penalty. Ironically, you could take a loan from your 401(k) which, in some cases, might make very good sense to do, but it's still a loan requiring repayment before the 60th month or you'll owe taxes on the unpaid balance – a cost that could far exceed the interest expense of borrowing from a bank.



This real money imbalance between what you owe and what you can reasonably save is financially problematic, especially for younger people. Plus, we are psychologically influenced by other people's money biases. Maybe those biases come from your mom and dad, a financial advisor or a social media influencer who is an “expert.”

Maybe those biases have convinced you to go after your 401(k) aggressively for your future. Great idea unless your car breaks down and you have no savings. Maybe your favorite aunt told you to trust no one and keep your money in a shoe box under the bed. Now maybe you can afford to fix your car, but you’ll be broke in retirement. Maybe you’ve hired a professional or are using the latest fintech app and are trying to balance your money between retirement and savings. Seems smart until the car repair taps out all your savings and now you are lopsided into retirement accounts with tax consequences and penalties to access before you reach age 59 ½. Maybe you hate debt and put all your money towards making extra principal payments each month. Seems great until that car repair hits your visa card at a 24.6 percent rate, and you don’t have enough to pay it off that month.

The failure of traditional planning is not helping people – especially business owners and entrepreneurs – build a systematic spending plan for inevitable future purchases. That’s where *Debt2Capital*™ comes in; it’s a systematic approach to shifting today's debts into tomorrow’s capital. It’s a process combining an intelligent approach to snowballing debt and accumulating tax efficient, accessible, capital that helps you build a real-world plan. It’s the missing step in diversification.

Financial planners, retirement planners, asset managers, wealth managers, retirement income planners, investment advisors and other financial professionals have way over-focused their planning on ASSETS and completely neglected LIABILITIES.

Remember:

Net Worth = Assets - Liabilities

We all aspire to have a BIG net worth, right? Do you know what high-net-worth families don't worry about? Retirement, unexpected expenses, health care costs and when the next sale is coming at the local Target so necessary purchases can be made for less money. But normal, hard-working people do – people with six-figure annual incomes who still battle bills every month. So, shouldn't a good advisor manage both ASSETS and LIABILITIES? I sure think so, but are they? A study done by the Spectrem Group on advisor service gaps revealed the unpleasant truth:

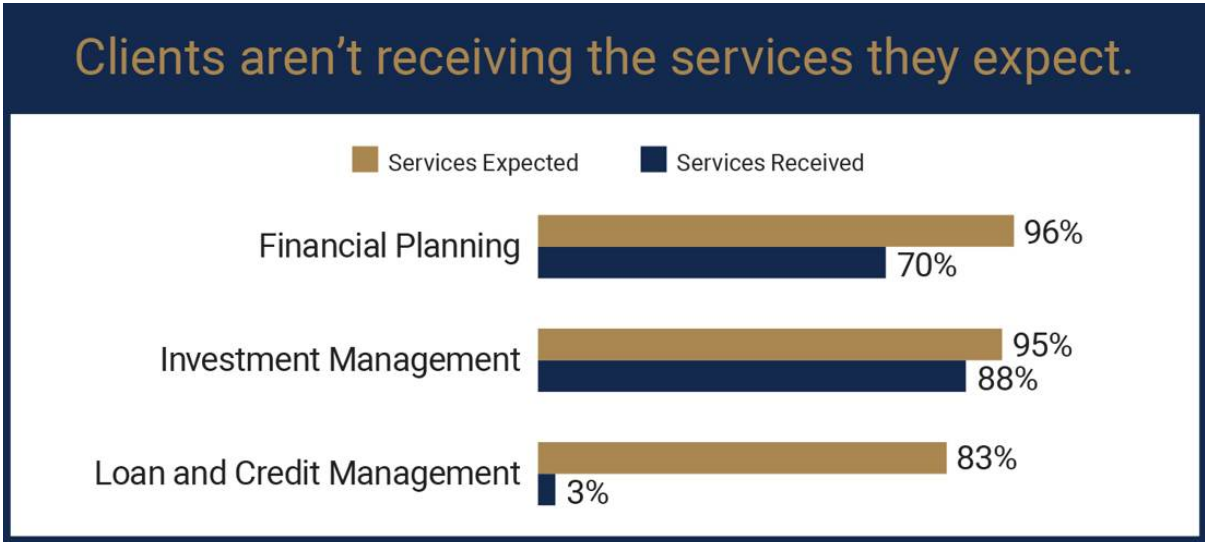


Figure 3

As you can see from Figure 3[4], Financial Planning and Investment Management survey responders are relatively satisfied that they are being served on the asset side of their financial needs. But look at loan and credit management. ONLY three percent feel they have been helped and **83 percent *want* help**.

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[4][4]https://rethinking65.com/clients-arent-receiving-the-services-they-expect/#:~:text=According%20to%20the%20Spectrem%20study,looking%20for%20more%20complex%20advice.

That is an egregious service gap. Now is it surprising that debt in America seems to be constantly growing? People are looking for help and are being offered none.

Probably the best debt-reduction approach out there, before *Debt2Capital*™ (selfishly speaking), was debt snowballing. This is where you simply take whatever extra money you can find in your budget and apply that as a principal payment towards your lowest balance debt. Once that smallest debt is paid off, you take the payment and add it as an extra principal payment to the now/new lowest balance debt you have, until it's paid off. Then you continue so on and so forth until all your debts are paid.

Nothing will pay debts off faster than snowballing. There is a second strategy to eliminate debt called the debt avalanche approach where you do the same procedure but apply the extra money in your budget to the highest interest rate debt you have. I've run thousands of simulations and at times (not many) it can result in a little quicker payoff but most of the time, it is not faster. Plus, the psychology of paying a debt off and having one gone altogether keeps people much more engaged and excited about their debt-free journey, so, snowballing debt is a clear winner over avalanching debt.

You may be thinking: Wait, that sounds kind of awesome so why don't we just snowball our debt away, close this book, and get debt-free faster? Fair question.

The problem with a snowball-only approach is <u>the plan always ends in ZERO.</u> So those inevitable future purchases and unexpected expenses, like the car repair described earlier, come with no capital to pay them. When they hit, how do you pay? With no capital your only choice is MORE debt.

Working to get debt-free only to go back into debt just repeats the cycle, and you know what we said about that: *doing the same thing over and over and expecting a different result - INSANITY!* No wonder people struggle and get so frustrated with debt. Amortized math is fuzzy and until you understand it, you'll be on the paying side of it rather than the earning side for a much longer period (likely a full lifetime) costing you considerably more interest.

A different, less traditional approach to debt repayment is one I'll categorize as "being your own bank." This strategy is unique in that it does address the need to simultaneously accumulate capital using a whole life insurance policy. Cash accumulates in the policy, then debts are paid from the policy. The unique attributes of whole life insurance make it an excellent vehicle for future inevitable purchases. This approach is very novel and was first written about and popularized by the late Nelson Nash. It's a slower path to being paid off than snowballing debt, but the formation of capital over time works exactly the way Nelson wrote about and taught thousands of insurance agents. In fact, all systems claiming a "banking" approach stem from the infinite banking concept created by Mr. Nash, a unique economic thinker who understood the importance of accumulating capital.

Even though these banking ideas pay off debts slower, they simultaneously help you accumulate capital for future purchases, and isn't that what you want? Now that I've told you this, you might be wondering, once again, why you shouldn't simply become your "own bank," close this book, get debt free a bit slower and build your capital for future inevitable purchases. Another fair and good question.

First, these banking concepts don't actually help you become your own, bank so that wording doesn't resonate for me. Additionally, the concept has one primary mathematical flaw: When you use a whole life policy, which is a good idea, and you pay off your first debt then pay back your policy loan but don't yet have enough to pay the next debt, you're at a standstill.

The problem is, these banking concepts/systems create "sidecar accounts" that earn maybe 3 to 4 percent, at best. This is problematic because of what you'll learn in the next chapter about Effective Interest Cost and why it makes paying off debts so very, very difficult. You'll learn how a 4 percent interest rate mortgage often has an Effective Interest Cost (EIC) of over 68 percent, where the vast majority of your next monthly payment is actually going toward interest, not principal, so these sidecar accounts stall the more costly debt elimination part of the plan making you pay considerably more in interest than the snowball approach described earlier.

So, what makes *Debt2Capital*™ different from the so-called banking concepts? *Debt2Capital*™ is a modified approach to snowballing debt while simultaneously compounding capital for future inevitable purchases. It becomes that missing piece of a well-designed financial plan that turns today's debt into tomorrow's capital by actually accounting for liabilities. It doesn't replace 401(k)s; *Debt2Capital*™ *is* not a retirement plan. It doesn't replace college plans for education, your Roth IRA or any other traditional planning. Many so-called "banking" systems want you to go "all-in" with a large percentage of your income, and that is mathematically crazy. *Debt2Capital*™ is a process to eliminate debt, build capital and work alongside your overall financial plan.

With a better understanding of the other methods out there to help reduce and expedite debt elimination let's move onto the real villain of this story, **Effective Interest Cost (EIC)**. I want to share with you how to calculate your effective interest cost on the debts you have now and why the dreaded EIC makes it so darn hard to pay off debt.

CHAPTER 3: Why Debt Is So Hard to Get Rid of Once You're in It.

The true power in the *Debt2Capital™* system becomes readily apparent once you understand Effective Interest Cost (EIC). EIC may be the single-most misunderstood calculation on the planet, and it's the most blatant sleight-of-hand misguiding over 300 million Americans whose interest payments dwarf principal repayments every single month. Once you understand the impact of effective interest cost, you'll understand why I'm so determined to help you reverse it.

Effective Interest Cost

Consider a 30-year mortgage for $100,000 at 4 percent.

If I ask you what the interest cost is for that mortgage, you will rightfully believe it is 4 percent. But that's very wrong.

A $100,000, thirty-year mortgage at 4 percent has a monthly payment of $477.42. Now, watch how we determine the effective interest cost.

Take a look at this mortgage:

$100,000 X 4 percent = $4,000

Now break that into monthly payments:

$4,000 / 12 months = $333.34

The EIC = interest paid / total payment = $333.34 / $477.42 = 69.8 percent

The interest paid is calculated based on the outstanding balance times the 4 percent interest rate.

BUT, that first payment has 69.8 percent interest embedded into it. So, you "buy back" $144.08 of your house that month from the bank but they pocket $333.34 in interest payments.

AND get this: 20 years into this 30-year mortgage the EIC is still 33.14 percent!!!!

Interest in month 240 is $158.22 embedded into your $477.42 mortgage payment. And this is on $100K. You can do the math if you owe $500,000 or a million just multiply the results above by 5 or 10. The EIC costs you an absolute fortune over time and it starts much higher and while lowering extremely slowly, over a very long period of time.

Talk about a great business – *their* business – lending – and all at your expense. I believe people know that the interest cost adds a lot to the purchase price of their homes, cars, education, etc., BUT I don't think people understand how often the EIC resets.

Here's the behavioral problem within the EIC dilemma:

REFI = EIC RESET

In our example above with a total monthly payment of $477.42 after 20 years the interest is still $158.22, so 240 months into your loan, you are "buying back" $319.20 of your home that month (well, it's actually the bank's home until you pay them completely off). But the moment you refinance that loan, the EIC resets back to those astronomically high numbers we started with

These numbers also get bigger because your home value appreciates, and you have other bills you can then refinance into your mortgage. And mortgages have the highest EIC of any amortized loan because of their long-term timeframe. Total monthly payments typically go down when you refinance debts into a new mortgage but the amount of embedded interest in your new lower monthly payment skyrockets. A lower monthly payment could be a good thing if you use that monthly savings the right way, but the vast majority don't.

Here are some scary statistics on why it is so hard to get out of debt:

From Fannie Mae's National Housing Survey (2019):

- The median homeowner refinances their mortgage approximately once every **3.6 years**, though this varies significantly based on interest rate environments.[5]

[5]Source:https://www.fanniemae.com/research-and-insights/surveys/national-housing-survey

This frequency of home refinance is confirmed by the Federal Housing Finance Agency (FHFA)'s historical data:

- Between 2000-2020, homeowners who refinanced did so on average every **3.2 to 4.2 years**, with the frequency increasing during periods of falling interest rates.[6]

It’s not just mortgages that are an EIC trap. Let's consider a $30,000, ten-year term student loan at a 4.79 percent interest rate. What is the effective interest cost on that loan? Here’s the math:

The payment on that student loan would be $315.13 per month.

Month 1 the interest is calculated by multiplying 4.79 percent interest rate X $30,000 / 12 = $119.75

So, month 1 EIC = $119.75 / $315.13 = 38 percent!!!
The effective interest cost of that student loan is nearly EIGHT times as much as the interest rate of the loan!

The interest rate is simply a factor to determine how much interest will be in your next month's payment. The REAL cost is your EIC.

That same loan at the end of the 8th year (96 months in) still has $29.87 of embedded interest in its $315.13 payment. So, over 9.4 percent of that payment is still going solely to interest.

Now, imagine when you have multiple credit cards, a couple of auto loan payments, some lingering student loans (maybe fresh off deferment), a new boat loan and a mortgage – those payments can

[6]Source: https://www.fhfa.gov/DataTools/Downloads/Pages/Public-Use-Databases.aspx

gobble up a six-figure income in no time, with 35 to 65 percent of the monthly payments *not paying down the debt at all* but instead just going to satisfy the interest owed to the lender.

And goodness forbid you do a cash-out mortgage refinance to consolidate your debts, where your EIC skyrockets to over 60 percent! Based on the statistics above from Fannie Mae and FHFA, people are resetting their EIC every 4 years or so – pushing their EIC to 60 percent+ on an ever-growing debt burden.

It's for all the above reasons that getting out of debt is so hard. The balance doesn't reduce fast enough! The interest rate on the loan is simply the factor used to calculate how much interest you pay each month, and that interest often makes up a much larger share of your monthly payment than the rate itself suggests. In other words, if you are paying $2,000 a month on a new $333,600 30-year mortgage and your first payment has $1,073.43 in interest then you are carrying an EIC of 53.67 percent.

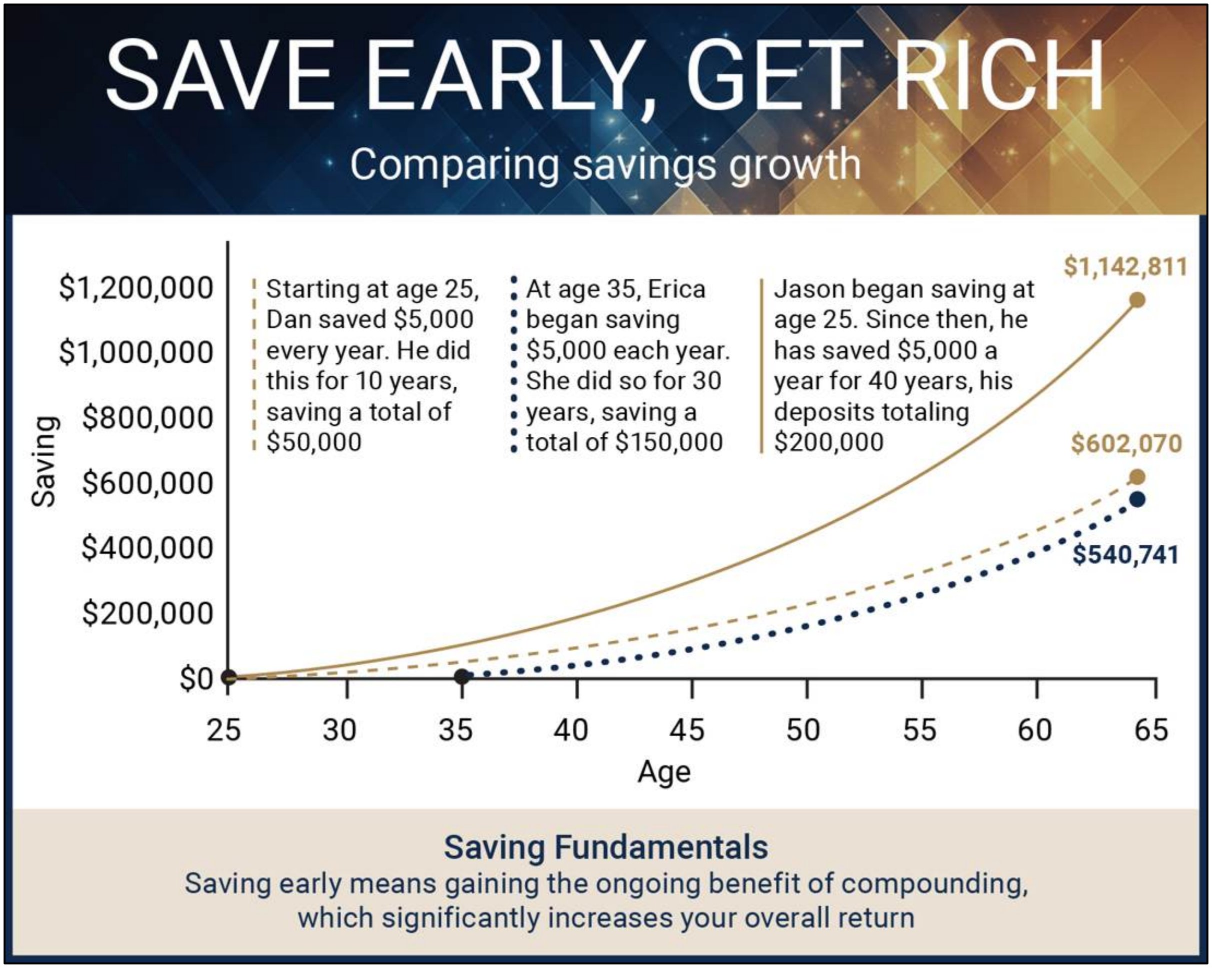
Now that you know how the EIC math works, it's easy to relate to one of my favorite lines from my friend and first-ever *Debt2Capital*™ advisor Tracey Spikes: **"Where on God's green earth are you earning this high of a return on any of your savings or investments?"** Nowhere. Yet you take out loans, in part, to keep your invested capital intact and available. When you refinance, all you're doing is starting over and resetting the brutal EIC burden on your cash flow and debts (which now are often larger)!

Bankers love this fuzzy math because borrowers don't fully recognize the impact of the debt. They only see the house with the nice backyard and the shiny new car. The amortized loan process makes it extremely difficult for many consumers to get free from this cycle of debt without the extreme cost and loss of interest-earning potential. You can't save and compound what you don't have and when you pay those dollars out to interest you get absolutely nothing in return. This is especially true when you keep financing future inevitable purchases, thinking it's better to use "low-interest" debt than your invested capital, but you are looking at the wrong number. If you instead choose to spend your saved capital, then it is gone, and it will never be there to earn for you and your future. It seems to be an impossible balancing act, but don't worry, with this book, you'll learn how *Debt2Capital™* turns today's debts into tomorrow's capital all while keeping your traditional investment in place to fund your future retirement.

A Personalized Approach

Too often, a one-size-fits all approach is recommended. Earlier I contrasted *Debt2Capital™* against other debt elimination approaches: some that go too aggressively at debt elimination (snowballing), losing you the ability to let time compound your money, or a "banking" approach that pays debts slower and emphasizes the accumulation of capital at the cost of considerably more interest payments.

Remember, *Debt2Capital*™ is intended to be an addition to your traditional financial planning and its purpose is to use a modified approach to snowballing debt to build capital over time, to fund future inevitable purchases. Because when we start saving early and allow compounding interest to work for us the more money we will eventually have. Look at the chart in Figure 4.



***Hypothetical Investment Earning 7 percent*

Figure 4

A picture is worth a million bucks (actually $1,142,811). When you look at Figure 4 you realize that we should all live by the mantra: If you start saving early, you'll get rich! But the banks make that hard to do when people face effective interest costs of 60+ percent on mortgages, auto loans, student loans, credit cards, and business debts.

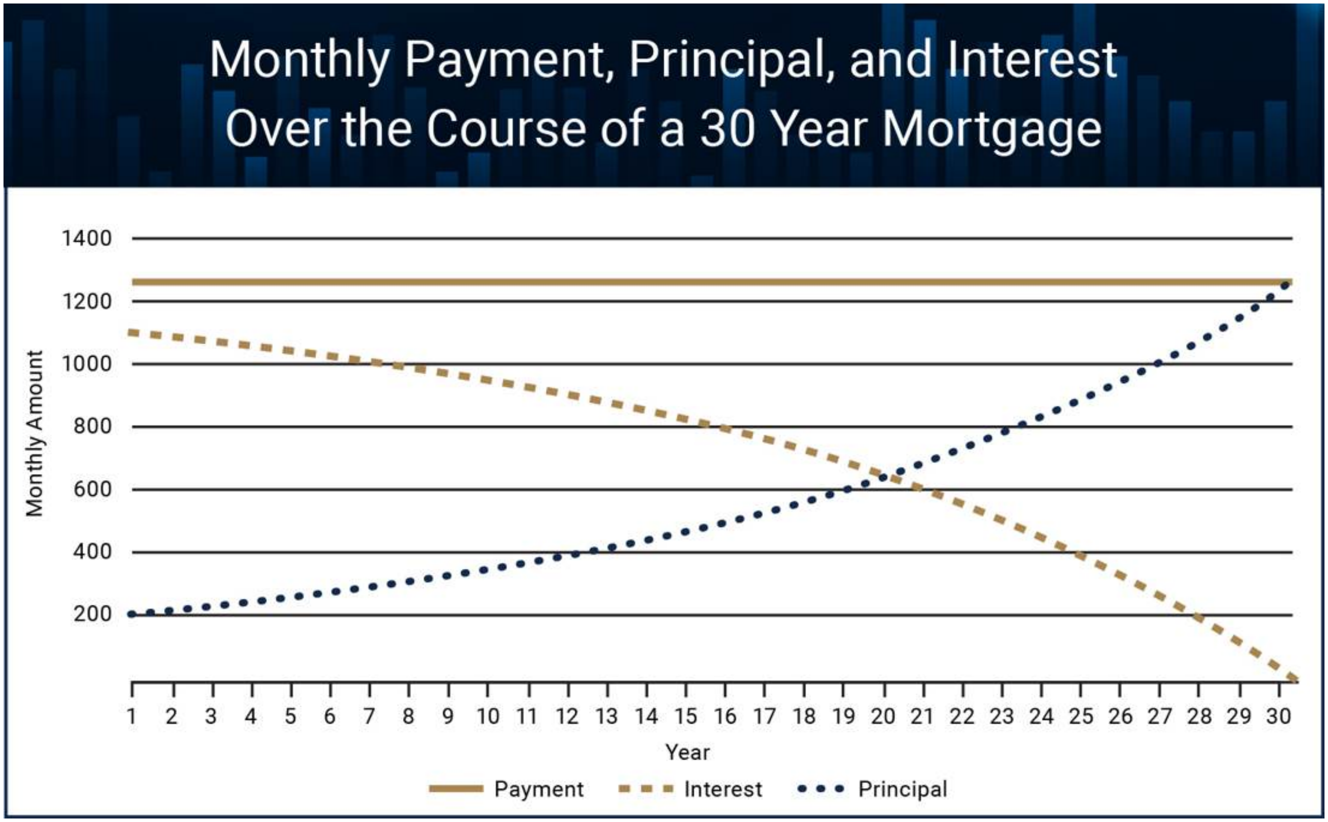


Figure 5

Loan Calculations	
Total of Payments. Total you will have paid after you make all payments of principal, interest, mortgage insurance, and loan costs, as scheduled.	$285,803.36
Finance Charge. The dollar amount the loan will cost you.	$118,830.27
Amount Financed. The loan amount available after paying your upfront finance charge.	$162,000.00
Annual Percentage Rate (APR). Your costs over the loan term expressed as a rate. This is not your interest rate.	4.17%
Total Interest Percentage (TIP). The total amount of interest that you will pay over the loan term as a percentage of your loan amount.	69.46%

It's very simple to understand the secret here. When your money compounds for you, it's always better than when it's compounding for someone else.

When you give someone else your dollars, you forever lose your ability to earn compound interest on those dollars in the future. When you are in debt you don't own your future – the bank does. The *Debt2Capital*™ strategy frees you from this vicious cycle. It takes time but offers you, or a family member, a lifetime of interest compounding in your favor, NOT the bank's.

In later chapters, you'll see really amazing case studies around *Debt2Capital*™ where it can be gifted from parents or grandparents. In fact, one example will be exactly what I do for my own son.
Just imagine a lifetime free of all that dreaded EIC! You'll be pleasantly surprised at how much capital you can have compounding and working for you. Capital you'll have available for future car purchases, schooling, and a first (second or third) home being built for you and your family following this novel approach.

Plus, you'll see how this isn't just for individuals. *Debt2Capital*™ is a powerful business ally in your pursuit to build enterprise value as an entrepreneur or real estate professional.

But first, I want to talk more about how conventional debt repayment methods fail. The statistics reveal their failure, but let's dig into why other methods fail so you'll be very clear why *Debt2Capital*™ is a good fit for you if you have sufficient income to address your debt elimination goals.

Chapter 4: Debt Elimination Programs and Why They Fail (The Truth About Inevitable Future Purchases)

When it comes to debt-elimination programs, the most popular options are the debt snowball, debt avalanche, or refinancing and consolidating debt into a single loan with a lower monthly payment. Refinancing usually is a huge mistake, as it results in resetting your EIC – a damaging and expensive choice we discussed in the last chapter.

Remember Refi = EIC Reset.

Keep in mind, the majority of consolidation loans are done using long-term mortgages (15 to 30 years) where the EIC is north of 65 percent on your first month's payment. How far can you really get ahead when 65 cents of every dollar of your payments is going toward interest only and only 35 cents toward owning more of the asset you financed? That's a steep hill to climb.

Plus, there has been a recent push to introduce 50-year mortgages. Just for fun I ran a 50-year mortgage on $500,000 at 6 percent. Want to guess the EIC?

94.98% Effective Interest Cost (Holy S#!t)

The snowball and avalanche debt reduction techniques both focus on systematically and intelligently breaking down overwhelming debt into manageable, step-by-step actions that help you gain momentum and ultimately achieve freedom from existing debt. **Regardless, they both fail for the same reason.**

Both of these methods will succeed in paying off debt quicker and in reducing the overall interest paid **ON YOUR EXISTING DEBT**. The problem is that both plans end in ZERO.

Neither plan does anything to **help you prepare to pay future debt and the future EIC attached to that debt,** which greatly reduces your overall net worth. Both fail to help you build capital – and it's capital that will keep you out of debt.

Exploring the Snowball

The debt snowball is a very effective way to pay off debt, but it doesn't help avoid future debt at all. Let's look at how the snowball works, visually, using this next hypothetical example. Say Toni has $1,847.00 in credit card debt, $22,318 in student loan debt, and $27,905 in auto loans.

Figure 7

The minimum payment for Toni's credit card is $71 per month. Minimum payments for her student loan and auto loans are $643 and $413 per month, respectively. This means that every month, to stay up to date with her lenders, Toni needs to pay $1,127.

Now, let's assume Toni just got a raise and she has an extra $500 a month that she can put toward her debts. Should she divide that $500 into three and pay a bit more on each debt like so many elect to do? Not if she wants to put the power of the snowball method into action. Going with the snowball method, she simply applies the extra $500 each month to her credit card to pay it off super fast. It's not long before Toni pays off that credit card.

Figure 8

Now, Toni has $571 extra per month – because she no longer has a credit card minimum payment to make – and Toni needs to be diligent not to incur any new credit card charges. Let's assume she has committed to doing so in our example. What does she do with that extra money next? Well, she keeps that snowball rolling down the hill and uses it to pay off her next smallest debt – her student loans.

Figure 9

Bye-bye student loans! I bet you guess what happens next. Yep, she pays off the one debt she has left: her auto loan. Now, with $1,214 extra each month between her minimum payments on the paid off student loan and paid off credit card, and the extra $500 she had in her budget from the raise she received, she can put all that toward her auto loan, and before you know it that big snowball crashes down and BAM, she's debt free.

Figure 10

As a debt-elimination strategy, the debt snowball is fantastic. With diligence, discipline, and attention to detail, it will work. First you find the money in your budget and if you have any excess money that can go toward your smallest debt. Then, you focus on that lowest balance and continue to pay on that until it's completely gone. Then, you bundle your extra money and that monthly minimum for the now-paid-off debt and focus on the next-lowest balance. You continue that cycle until you get through the entire list of your loans, and eventually, you're paid in full. BUT with snowballing debt you always end at ZERO.

That sounds absolutely incredible so again why aren't we just stopping here? Because the debt snowball approach is not a perfect solution because it always ends in ZERO. The good news is you're taking a systematic approach to paying off your debts in a sensible manner; the bad news is you spent all your excess cash on paying back the financial institutions holding your debt and ended with nothing.

In focusing solely on the snowball, **you've largely ignored any capital building aspect of your finances** for future inevitable purchases. You may be out of debt by the time you finish the program, but you're also out of cash (always ending at ZERO), which means people who do this almost always go back into debt when they need to buy things or unexpected expenses come crashing into your life and finances.

This chapter repeats and reiterates in more detail the debt snowball because understanding its mechanics and the powerful debt elimination qualities of the debt snowball plan are critically important before we discuss *Debt2Capital*™, which is a modified approach to the debt snowball, with the *added component* of building future capital for inevitable future purchases. If you can imagine a grid with debt snowballing on the left and the infinite "banking" concepts on your right and pull your planning method somewhere in the middle more towards snowballing, you'll land right on *Debt2Capital™.*

Are you ready to see how *Debt2Capital*™ differentiates itself? With the *Debt2Capital™* planning, we make sure you're not just sending money off directly to the financial institutions you owe, but that you're also building capital by flowing your extra budget through a cash value accumulating intermediary whole life contract, like the "banking ideas," with a unique twist harvesting the faster debt elimination characteristics of snowballing so you get out of debt fast and have capital for those future major purchases you are going to make.

Chapter 5: What Makes Debt2Capital™ Different

There's no question that snowballing is effective for repaying the debts you already have, but it poses problems for those who also want to avoid hopping back into the damaging EIC cycle by going back into debt to pay for future inevitable purchases.

Debt2Capital™ offers a modified approach to snowballing debt, putting a specifically designed life insurance (SDLI) product between the extra payments and the snowball. Right now, let's discuss why cash value life insurance, specifically whole life insurance, is even part of the plan.

The Value of Whole Life

When properly funded with cash value paid-up additions, whole life insurance can fit into your debt elimination strategy today while becoming tomorrow's future capital, keeping you debt-free when you make those inevitable future purchases. Let's take a look at a whole life policy with significant cash value paid-up additions added at issue, both with a loan and without a loan.
This is VERY IMPORTANT because whole life (not Indexed Universal Life, term insurance, Variable Life or any other form of life insurance) does something very special: it constantly compounds the cash value for your WHOLE LIFE. Crazy how well the name fits it.

Age	Year	Contract Premium	Current Cash Value	Current Death Benefit	Current Cash Flow
41	1	12,000.00	6,191	337,872	0
42	2	12,000.00	17,313	357,552	0
43	3	12,000.00	28,284	376,724	0
44	4	12,000.00	39,759	395,417	0
45	5	12,000.00	51,979	414,228	0
46	6	12,000.00	65,290	434,251	0
47	7	12,000.00	79,421	455,448	0
48	8	12,000.00	93,979	477,380	0
49	9	12,000.00	109,294	499,259	0
50	10	12,000.00	125,072	521,090	0
51	11	0.00	131,267	325,565	0
52	12	0.00	137,763	332,982	0
53	13	0.00	144,567	340,591	0
54	14	0.00	151,686	348,394	0
55	15	0.00	159,137	356,391	0

Figure 11

In Figure 11, you'll see that with a $1,000 monthly premium deposit ($12,000 annually), where $500 is intentionally allocated to the cash value paid-up addition part of the policy, the example whole life contract has a $125,072 cash value available at year 10. The cash value addition is money allocated directly to the cash account. It is not part of the base policy premium and acts more like a savings account than an insurance premium.

Debt2Capital™ isn't designed to maximize the death benefit value, but there is a death benefit so if goodness forbid you die, your family would receive the death benefit completely tax free. Additionally, a waiver of premium benefit can be attached to the policy to make sure the premium is paid every month if the policyowner becomes disabled, so the plan completes even if you can't fund it due to disability. So, there are very valuable insurance benefits here with an associated cost.

Without insurance this would simply be a debt snowball and you'd pay off the debts a little faster (much slower than you think), but *Debt2Capital*™ works much better because of the constant compounding of the cash value and what you have in the future for purchases.

Now, this next point is critical for you to understand and is one of the most important financial lessons you can ever learn about compounding interest and why whole life insurance is so special.

Earlier, we showed you how the whole life contract with a $1,000 monthly premium (with $500 intentionally allocated to the cash value paid-up addition part of the policy) has a $125,072 cash value available at year 10. Now, let's take that same policy and add a $25,000 loan against the cash value in the 5th year:

Age	Year	Contract Premium	Current Cash Value	Current Death Benefit	Current Cash Flow
41	1	12,000.00	6,191	337,872	0
42	2	12,000.00	17,313	357,552	0
43	3	12,000.00	28,284	376,724	0
44	4	12,000.00	39,759	395,417	0
45	5	12,000.00	25,645	387,903	25,000
46	6	12,000.00	43,782	412,744	-5,900
47	7	12,000.00	62,986	439,013	-5,900
48	8	12,000.00	82,886	466,287	-5,900
49	9	12,000.00	103,826	493,790	-5,900
50	10	12,000.00	125,072	521,090	-5,468
51	11	0.00	131,267	325,565	0
52	12	0.00	137,763	332,982	0
53	13	0.00	144,567	340,591	0
54	14	0.00	151,686	348,394	0
55	15	0.00	159,137	356,391	0

Figure 12

The most important thing to see with this example is that in year 5, a $25,000 loan has been taken from the insurance carrier. It is **<u>not</u>** a distribution from the cash value; it is a *loan from the insurance company*. Often, the loan rates offered by insurance carriers, which are secured by insurance policy cash values, are at a lower interest rate than that of traditional lenders, but that's not even why this works so well – it's simply an additional benefit. The *Debt2Capital*™ advantage goes beyond an interest rate differential and has to do with how the cash value compounds continuously for the policyowner's whole life into an ever-larger pool of capital within the insurance policy, for future purchases.

In this example, based on the principal repayment (shown under the $25,000 distribution), there is an additional interest payment to the insurance carrier during that 60-month period of $4,068. That is interest paid and it is a cost.

Now let's look at how much cash was accumulated in the insurance contract over that same 60-month period. The year 10 cash value is $125,072 and the year 5 cash value (when the loan was taken) was $51,979 *before* the loan. As you can see in Figures 11 AND 12, the year 10 cash value is the **same: $125,072** – regardless of whether a loan is taken or not!

So, whether you take a loan or not, your cash value is the same. How? A policy loan creates a ***lien*** against your cash value—not a withdrawal. If you don't repay the insurance company, they are fully secured in that loan because they have your money in the policy cash value, held as collateral.

Here is where the incredible value of the *Debt2Capital*™ approach really excels: the total cash value grew a little over $73,000 during that 60-month period. Because an additional $60,000 premium has been deposited at $1,000 per month for those 60 months, the cash value grew organically over $13,000.

Let's executive summary the loan process:

- The insurance carrier makes a collateralized loan against the policy cash value for $25,000.
- The policyowner structured a 60-month repayment schedule, paying back $5,900 each year at $491.67 per month.

- The policyowner pays a total of $4,068 in interest to the insurance company over that 60-month period.
- The insurance company increases the policyowner's cash value over that same 60-month period by a little over $13,000.
- **Net effect:** policyowner purchased their $25,000 boat, paid payments the same way they would have if they financed with a bank or boat lender, but instead paid their payment to the insurance company where they own a whole life insurance contract. **Their net result: total interest paid was $4,068 but during that same period, the insurance company *increased their cash value by more than $13,000*. So, the policyholder is up over $9,000 after the loan is repaid in total cash.**

Transaction Economic Review

Total Interest Paid = $4,068 (round to $4,000)

Total Cash Value Gained w/ Premium = $73,000

Premium Paid = $60,000

Total Cash Value Gain w/o Premium = $13,000

Net Gain to You = $13,000 - $4,000 = $9,000

What *Debt2Capital*™ did in this basic example was turn today's debt – a boat loan – into tomorrow's capital providing a greater available amount … $9,000 in that example. So, if there can be a $9,000 gain on a small, $25,000 debt, what happens when the debts are large?

Let’s revisit Toni using the Debt2Capital approach instead of a traditional snowball that ended in ZERO

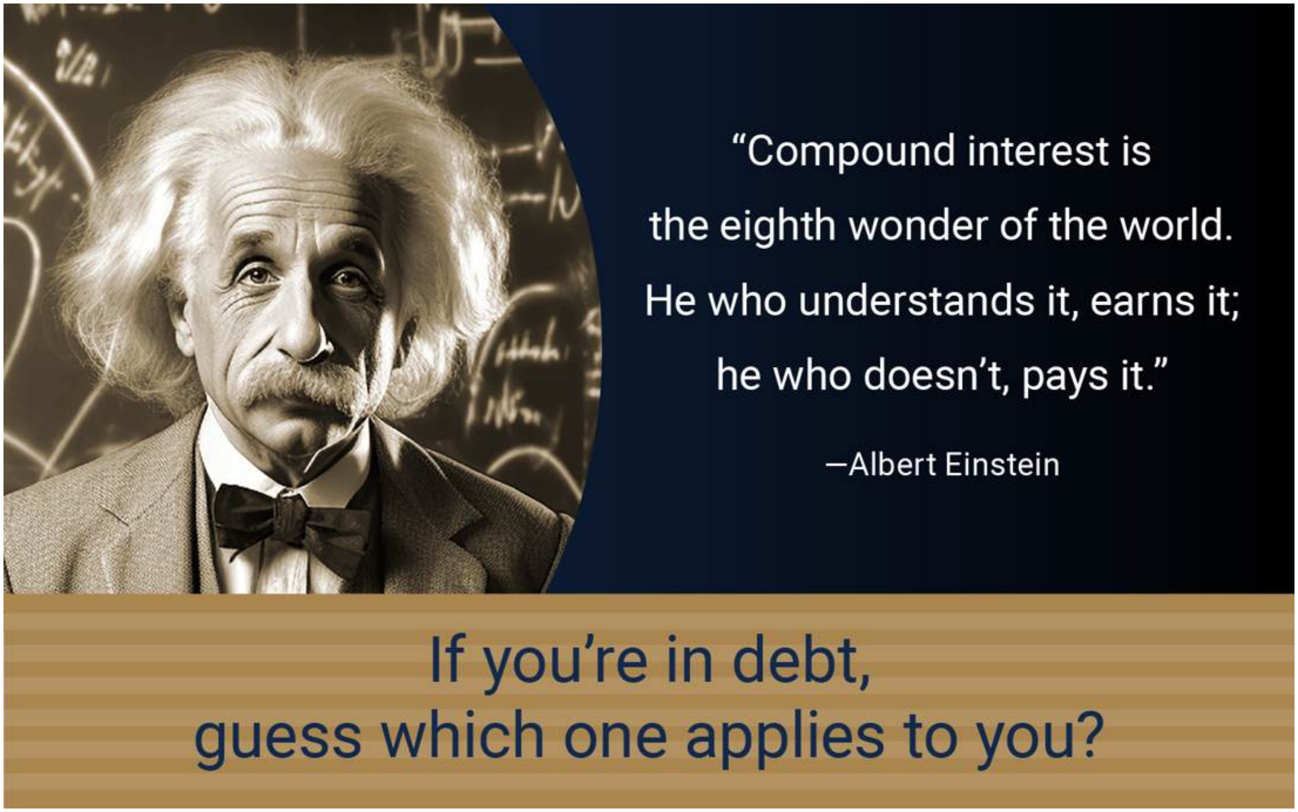
Here’s something for you to think about: Would you rather stay in debt years longer than you need to, or would you rather be debt free sooner than under your current minimum payment schedule while building cash value available to use for future inevitable purchases?

Now, would you like to accomplish that result without:

- Changing your monthly expenses
- Cutting back your lifestyle
- Missing out on any of life’s big moments?

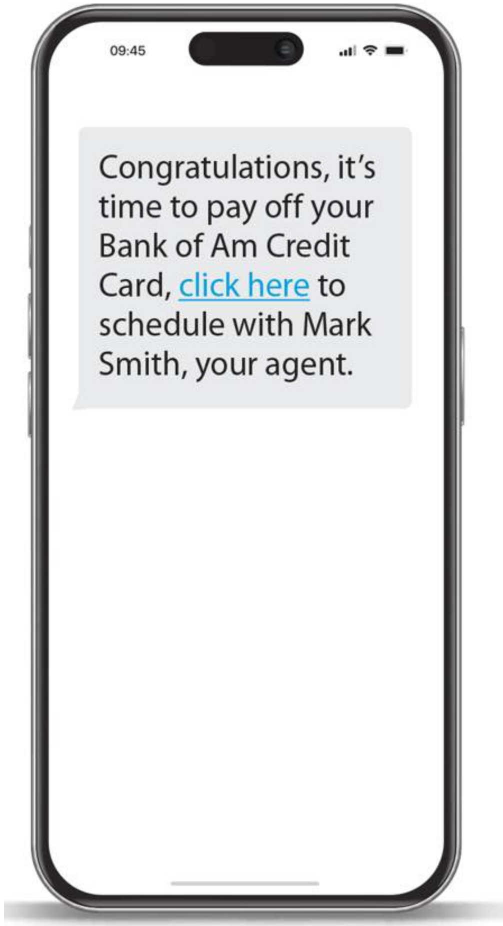
Compounding *your* interest

Let's talk about compounding interest. If compounding interest makes the banks and lenders money, then you should use it too. And that’s the primary objective of the *Debt2Capital*™ system: to compound capital so you can self-finance future large purchases. Instead of putting extra money toward your balances owed, you “pay yourself first” by paying into a whole life insurance plan with emphasis on building cash value additions; the death benefit is secondary.


"Compound interest is
the eighth wonder of the world.
He who understands it, earns it;
he who doesn't, pays it."
—Albert Einstein
If you're in debt,
guess which one applies to you?

Debt2Capital™: A Modified Snowball Approach

With the *Debt2Capital™* snowball approach, you make all the normal minimum payments to your various credit card companies and lenders, just as you are already doing. Remember the $500 extra we found in Toni's budget? In the traditional debt snowball method, she sent that $500 immediately to her credit card company every month. The credit card company applied it to her principal and paid Toni's debt down faster, then used that money to enrich their shareholders.



With the *Debt2Capital™* strategy, Toni will not give up the compounding power of that extra $500 to her creditors; she's going to put that into her specifically designed whole life insurance policy, designed for cash accumulation, where it accumulates cash value as its primary purpose.

Figure 13

Here is where the *Debt2Capital*™ system keeps you on track and disciplined about making the right payments at the right time.

Once the cash value in the whole life insurance policy has grown enough, the *Debt2Capital*™ system notifies Toni via text message, directing her to pay off her credit card now. What a great text to get … one debt off your back, a super-high interest rate one, at that.

The plan result: one debt down and two to go for Toni.

Figure 14

Once Toni pays off that Mastercard, we help her redirect that money back into her policy to keep growing cash value. Toni will continue making the minimum payments on her remaining debts while depositing the $500 AND her old minimum payment of $71/month on the now-paid-off credit card into her whole life insurance policy.

Figure 15

Meanwhile, the *Debt2Capital*™ system continues to track her whole life policy's cash value until enough has accrued to pay off her next debt: her student loan. Funds are then borrowed from the life insurance policy to pay off her student loan debt. Two down and only one to go and the *Debt2Capital*™ snowball is growing.

Figure 16

Once that occurs, the minimum payment from the second paid-off debt goes back into the life insurance contract.

Figure 17

Eventually, Toni finishes paying off everybody ***and*** she's got money compounding for the future purchases she will need to make someday, like replacing the car her grandmother gave her that is on its last leg.

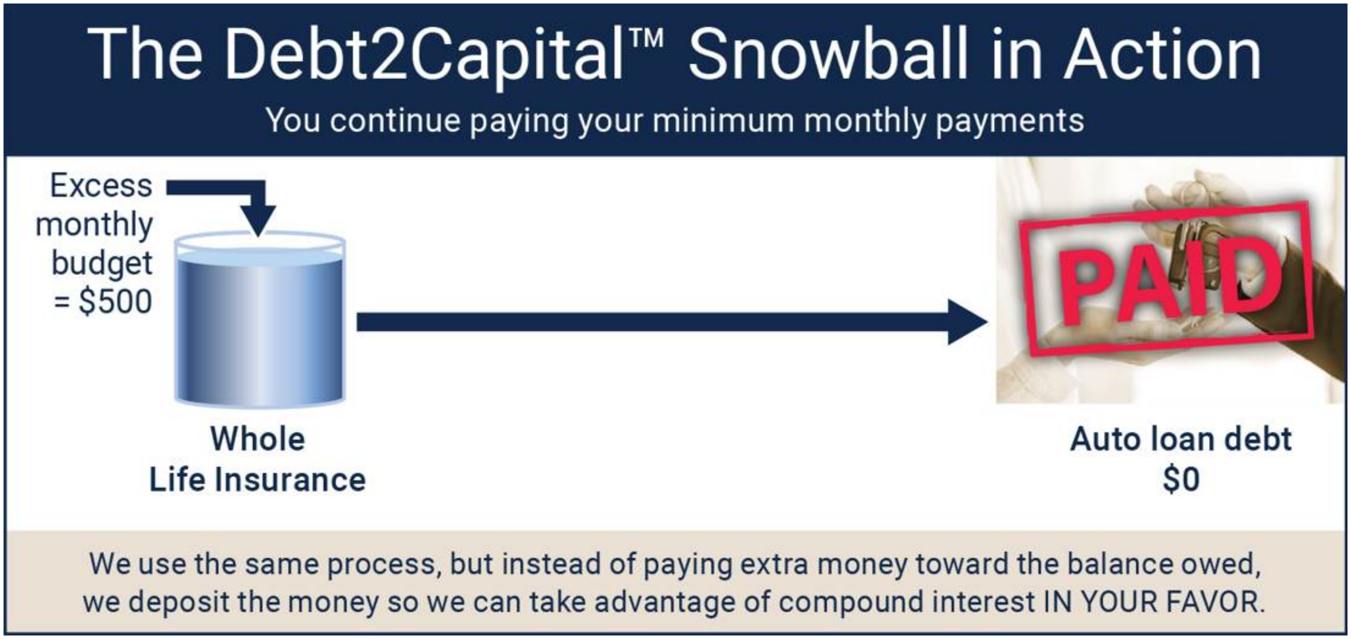


Figure 18

Later, the money can then go toward other future big-ticket purchases, keeping Toni from sliding back into debt and thus creating a lifestyle where debt remains under her control.

Where the plan comes to completion for Toni:

The whole life insurance policy is designed with emphasis on building the cash value and allowing that cash value to compound over time, all while using the *Debt2Capital*™ software to track and alert you and your appointed agent when it is time to pay off your debt(s).

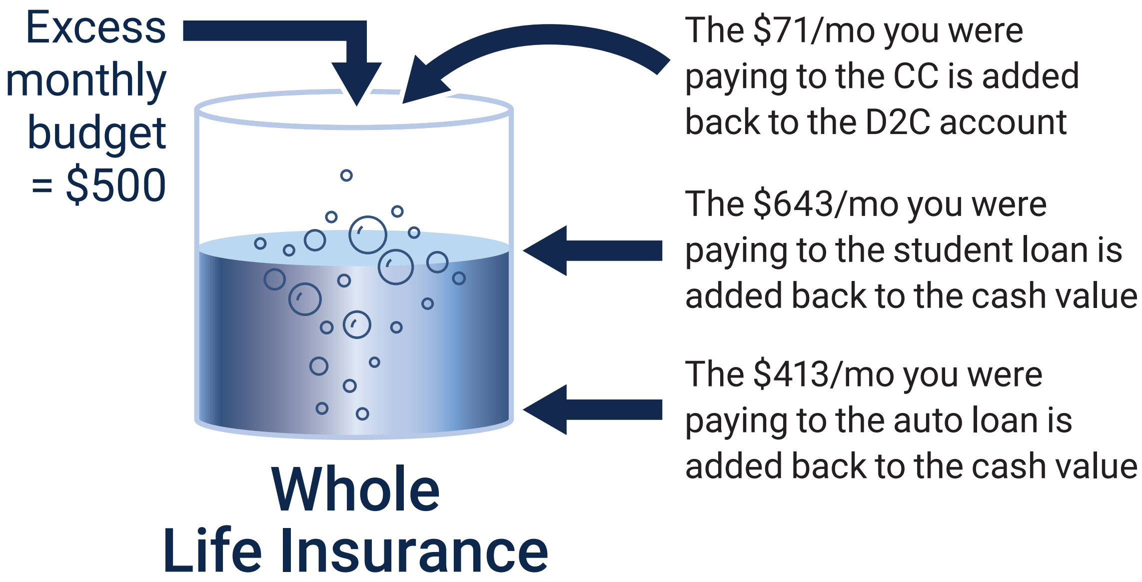


Figure 19

In Toni's example, she would accumulate more than $32,000 in savings at the completion of her plan in 7 years. Of course, this is dependent on Toni completing the funding of her plan through that period of time. If *Debt2Capital*™ users treat this obligation the same way they'd treat the requirement to pay back the banks they borrowed from in the past, then success is guaranteed.

Figure 20

Let's look at a side-by-side comparison of all three plans and put yourself in Toni's shoes. Take a look at Figure 21 on the following page. Notice the bottom row of the chart. In the first two boxes you see that there's no money saved in either of these cash accounts.

But as the third column of Figure 21 shows, using a whole life insurance policy without compound interest and the *Debt2Capital*™ strategy, you have over $17,000 in tax-free cash value…even though your monthly budget stays the same as the debt snowball approach. The payoff is just a few months longer, but that little bit of extra time is likely worth it.

Now that $17,618 will continue to grow as long as you deposit money into the whole life insurance policy the same way you'd pay back any other lender.

Your Action Choices		
DO NOTHING	DEBT SNOWBALL	Debt2Capital ACCOUNT
Amount to payoff $52,072	Amount to payoff $52,072	Amount to payoff $52,072
Additional budget $0	Additional budget $500	Additional budget $500
New mo. min. payments $1,127	New mo. min. payments $1,627	New mo. min. payments $1,627
Projected payoff date 7 years	Projected payoff date 3 years	Projected payoff date 3.75 years
Cash balance account $0	Cash balance account $0	Cash value in policy $17,618

Figure 21

This is a great time to let Tracey Spikes walk you through his *Debt2Capital*™ journey and then I'll share more recent stories of agents helping their clients and some unique variations of *Debt2Capital*™ that may better fit your current situation.

Tracey Spike's Story

Hi! I'm Tracey and I was the very first *Debt2Capital*™ client.

The reason? I'd switched careers. I'd spent 15 years as an executive at a major life insurance company and what I am about to share no one in that company ever thought about or even vaguely understood – but it sure has changed my life.

When I gathered up all my debts on paper, it turned out that I owed around $500,000, at an effective interest cost of 32 percent per year. That meant I was losing $22,000 annually to interest payments. Think about the long-term impact: in ten years, that is $220,000; in twenty years, $440,000. This was money I was giving to banks and lenders, with no chance of ever recovering.

After running the numbers, I discovered something: if I did nothing, it would take **twenty-eight more years** to become debt free. However, when I looked at my own *Debt2Capital*™ model, it claimed I'd achieve debt freedom in **six years**. Of course, I didn't believe that one bit. The plan called for me to put in over $4,000 per month. Good lord, I was quite skeptical of putting out that much every month on an insurance policy, but I trusted Matt (not sure my wife Dawn was there with me, in the beginning). We kept talking and I realized that he wasn't selling this plan to me – because he wanted me to do this for myself. There wasn't even any financial benefit to Matt. So eventually we said, "Let's try this because what we are doing now isn't working."

We said yes to the plan that promised to turn today's debts into tomorrow's capital. It was a leap of faith back then, before many others were helped by this process. Before you know it, I started receiving emails telling me to pay off debts:

- A couple months into the plan, I got the text: "Tracey, it's time to pay off Capital One."
- A couple months later: "Congratulations, it's time to pay off your Bank of America card."
- Then it was Home Depot, the other Citibank, the second Bank of America loan, and so on – eventually the credit union loan on the boat, my wife's Infiniti, my son's Ram truck, the Chase credit card, my truck, and the Parent-Plus student loan.
- Finally, in April of 2024, I got the message: "Great news, Tracy, it's time to pay off the mortgage." So, we paid off the mortgage.

We erased **every single debt obligation** in a little over six years. By the time we finished the plan, we also had a little over $199,000 in tax-free cash value, fully liquid funds. Since we were no longer in debt, we kept funding that money into our whole life policy. Now, this changed absolutely nothing with my IRAs, my 401(k) rollover into an IRA, my Roth or our more traditional savings. The money we put into the policy was for the things we would buy regardless of having a plan or not: a new car, a truck for me and some farmland I've got my eye on. Just like Matt and I talked about years ago, my *Debt2Capital*™ is now a piece of what is a better, more specific financial plan.

Over the years, I have guided countless families through the same process, and in all of those cases, **nobody** ever had to alter their budget. Who would say no to a method of becoming 100 percent debt-free faster without changing your budget? Everyone agrees that it is worth serious consideration. Best of all, I've now trained over 200 agents to do the same for hard-working folks just trying to do better.

Traditional planning has failed miserably to help families get debt free. *Debt2Capital*™ works and I am proud to teach it to families, friends, and financial advisors nationwide. Take a look at the numbers that appear in the next chapter from a bunch of folks who are getting out of debt faster and building capital for future purchases; I hope you can be one of them and become another *Debt2Capital*™ success story.

Bottom line: Nobody likes being in debt, so why not learn how to turn debt into capital and avoid being in debt for the rest of your life. After all, wealthy people **own** their future; when you owe money, that future is owned by someone else.

What Makes Debt2Capital Different

With the *Debt2Capital*™ strategy, you keep making your minimum payments, so your credit stays in good standing, and you deposit any extra money into your whole life insurance policy. These funds then continue to compound as you "snowball" your debt away. The *Debt2Capital*™ process tackles the smallest debts first, just like the traditional debt snowball. Your monthly budget **<u>stays the same</u>** as with debt snowball, but every month, more and more of your money goes to work for you in your cash value. You get to take advantage of compound interest instead of just paying it to the banks, credit card companies, auto lenders, and student loan providers.

Meanwhile, in the cash value component of your whole life insurance policy, your funds *continue to grow* after all the debts are paid, increasing your "spending account" with each monthly deposit. Plus, you have protection contingencies built in for life's challenges and tragedies. The life insurance policy can help cover the dreaded "what-if" scenario of death and disability to protect your loved ones.

As you continue to pay into your whole life insurance policy, the amount of tax-free money you can access via policy loans (which are collateralized liens as described above) keeps growing. So, after you have paid back your policy loans into your whole life insurance policy, when you need to make future purchases, you can do so with your cash value instead of costly borrowed credit.

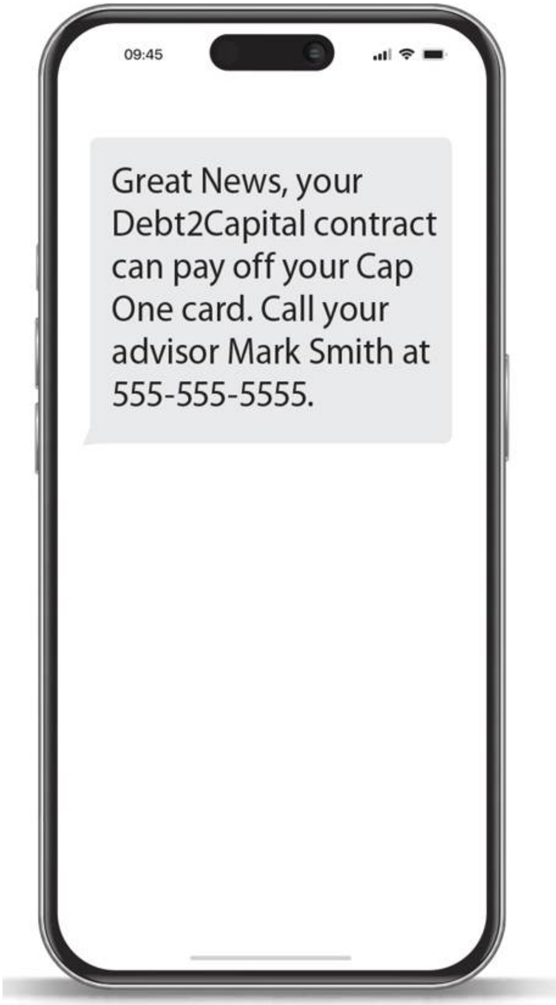
In doing so, you've escaped the vicious cycle and officially achieved *Debt2Capital*™ status!

Chapter 6: Developing Your Debt2Capital™ Plan: First, You've Got to "Find the Money" to Fund Your Debt2Capital™ Plan.

A crucial question when adopting any strategy to eliminate debt is: **Where do I find the money?** Below are three key areas where many people can source extra funds without drastically altering their lifestyle.

1. **Extra payments you are making now.**

If you are already making extra payments toward your debts or attempting a "snowball" approach to debt elimination, you can easily incorporate those same dollars to fund your *Debt2Capital*™ plan. Instead of sending extra checks to a variety of lenders on your own, you would direct these extra payments through your *Debt2Capital*™ policy (as outlined in your customized plan). The goal is to systematically eliminate one debt at a time, redirecting freed-up funds toward building your capital inside the whole life contract or toward your next-in-line debt, depending on the software's direction. The difference is that the *Debt2Capital*™ software guides you on which debts to pay, when to pay them, and how it all ties into building a liquid, tax-advantaged reserve of capital for your future. Remember, *Debt2Capital*™ is a modified approach to snowballing debt and is different than other plans that over-emphasize capital building inside of an insurance contract. You may be directed to put extra payments against your next debt rather than more deposits into your whole life policy. The system knows your next move and communicates that to you via text messages like this:



Remember these amounts are always within your budget. You never pay more than you already were paying. *Debt2Capital*™ just redirects your payments to minimize your interest costs and maximize your long-term capital accumulation inside your whole life policy.

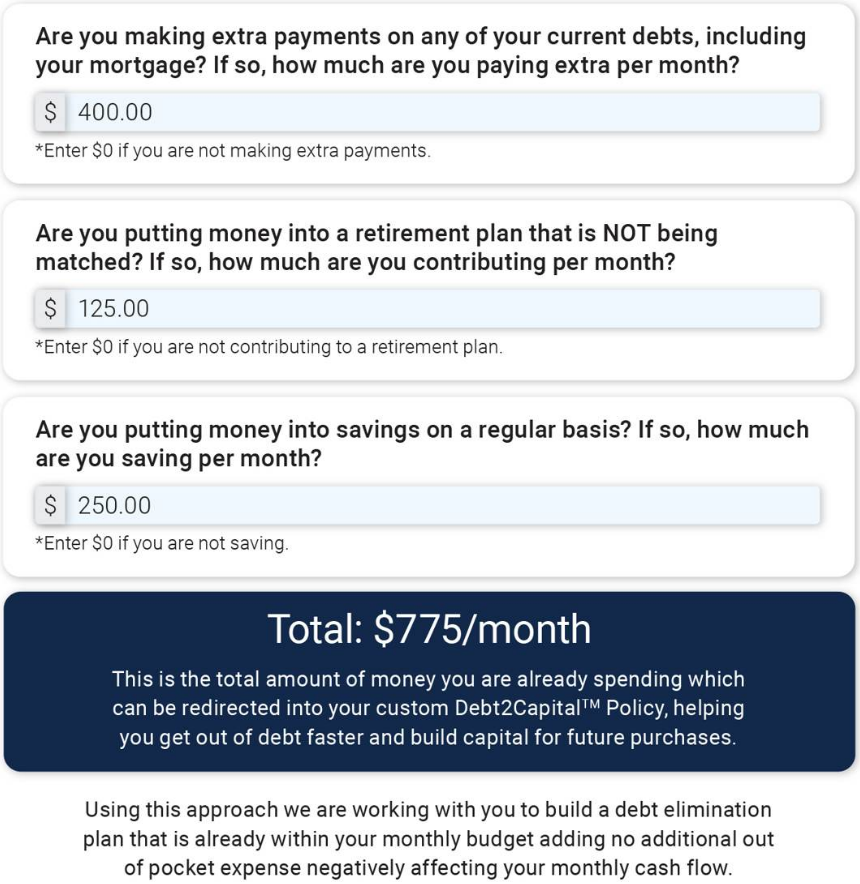
2. **Replacing term insurance.**

Another place families often discover extra cash flow is by **replacing existing term life insurance.** The *Debt2Capital*™ plan utilizes whole life insurance that has been specifically designed to emphasize cash value for debt-elimination purposes, but it has a death benefit so term insurance expenses can be allocated to the plan and focused on paying off debt while maintaining adequate protection for your family.

The idea here is to take premiums you might already be paying for a “term-only” policy and instead pay them into a policy that not only provides a death benefit but also helps build cash value over time. This cash value can support your debt-payoff strategy while also funding future inevitable purchases. Essentially, you are reallocating funds you are already spending so, for many, the monthly outlay remains about the same, yet the benefits are multiplied. Your agent can guide you to ensure you keep adequate life insurance coverage.

3. **Money over your 401(k) match.**

If you contribute to a 401(k), it is advisable to at least invest enough to capture your employer's full matching contribution. However, if you are contributing beyond that match point, you might consider redirecting those "excess" contributions into your *Debt2Capital*™ plan. This is especially true if you have debts with high Effective Interest Cost (EIC) and want to have capital available for inevitable future purchases. The rationale is that the math might favor clearing high-interest debts (and building liquidity) over adding more pre-tax dollars to a long-term account – especially one that you may not access for many years without a penalty if you are under age 59 ½. By redirecting the difference, you accelerate your path to debt freedom while still receiving all your employer's matching 401(k) contribution.


Are you making extra payments on any of your current debts, including your mortgage? If so, how much are you paying extra per month?

$ 400.00

*Enter $0 if you are not making extra payments.

Are you putting money into a retirement plan that is NOT being matched? If so, how much are you contributing per month?

$ 125.00

*Enter $0 if you are not contributing to a retirement plan.

Are you putting money into savings on a regular basis? If so, how much are you saving per month?

$ 250.00

*Enter $0 if you are not saving.

Total: $775/month

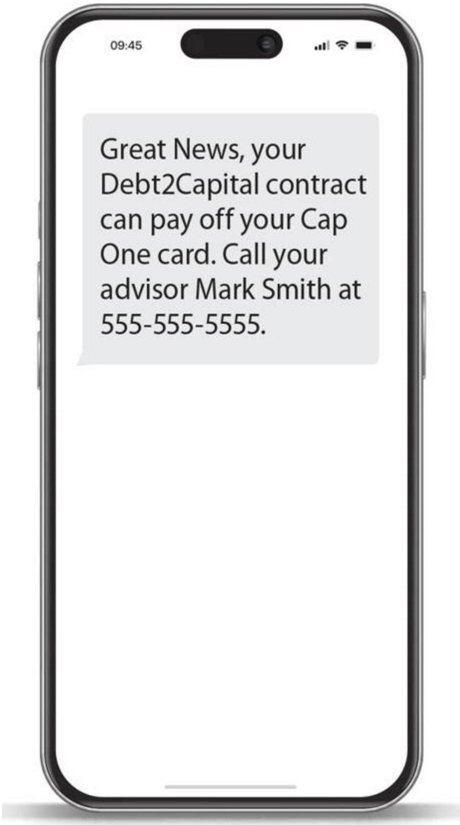
This is the total amount of money you are already spending which can be redirected into your custom Debt2Capital™ Policy, helping you get out of debt faster and build capital for future purchases.

Using this approach we are working with you to build a debt elimination plan that is already within your monthly budget adding no additional out of pocket expense negatively affecting your monthly cash flow.

Figure 22

On the topic of 401(k) plans, if you have a Roth 401(k) plan option available it may be advisable to consider it, since it makes future dollars accessible tax-free. Taxes are a form of debt, so taking actions today that reduce your future tax burden may make smart financial sense. Also, many 401(k) plans offer loan provisions that can be used to pay off certain debts and, as long as that loan is repaid within 60 months, you will not be taxed. The benefit of a 401(k) loan is that the interest actually gets paid to *you* instead of a bank or lender. But caution should be used because loans not paid within 60 months result in a taxable event which may be much more costly than the cost of interest on a traditional bank loan.

How You Follow the Plan

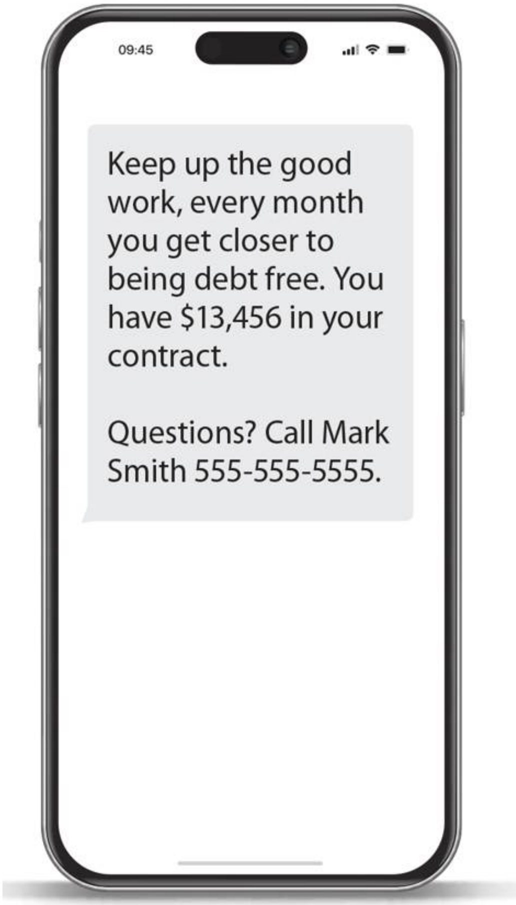


Once you have identified sources of extra cash flow, the next question is: **How do I actually implement the plan and stay the course?** This is where the mechanics of the *Debt2Capital*™ software and its applications step in.

1. **Automated text messages (1-650-300-3639)**

One of the most innovative features of the *Debt2Capital*™system is the way it keeps you on track by sending you **monthly text messages** (from 1-650-300-3639). These alerts remind you exactly when to pay off a specific debt or move money. It's like having a financial coach in your back pocket – proactive guidance that arrives precisely when you need to make the next move, with the exact steps for you to take to stay consistent with your *Debt2Capital*™ plan.

2. **Ongoing analysis and adjustments** Because the system continuously monitors your progress, it recalculates your roadmap any time your situation changes (for instance, if you decide to refinance a mortgage, pay off a car early or incur a new debt). The plan is flexible in meeting your life needs, yet rigorous in its approach to get you debt free in a timely way while building capital for future purchases. Your *Debt2Capital*™ plan adjusts to your life rather than forcing you to maintain a seemingly impossible rigid one-size-fits-all schedule.



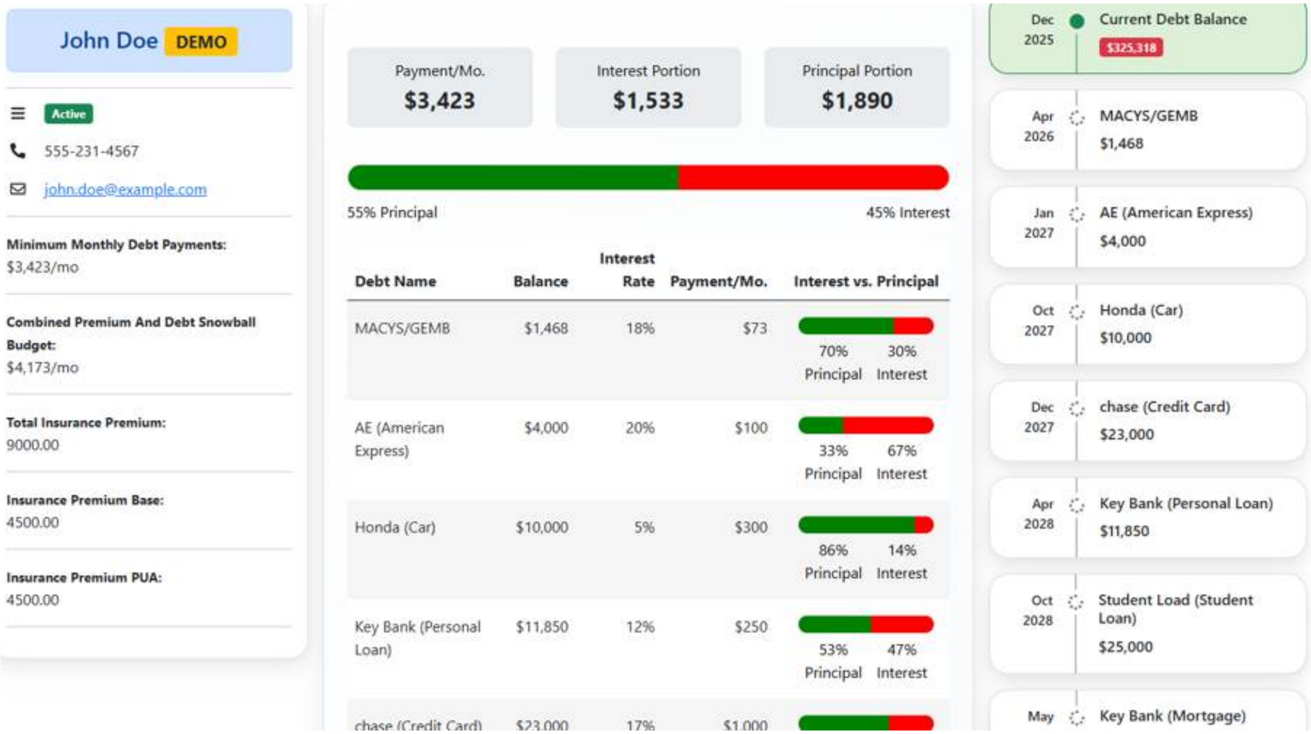


Figure 23

3. **Snowballing through *Debt2Capital*™**

As mentioned, if you already practice the debt snowball, you simply reroute those existing efforts with *Debt2Capital*™. Instead of manually deciding which debts to tackle first, the *Debt2Capital*™ software algorithm puts them into the optimal payoff order. It identifies where to put extra dollars, either into the whole life policy or towards the next debt in line, ensuring you eliminate debts quickly while building equity and liquidity through a coordinated strategy. Your plan output will let you know exactly when you'll be debt free:

Debt Payoff Details

The table below provides specific details for each debt including payoff timing and interest savings.

Debt Name	Current Balance	Payoff Month (D2C)	Interest Saved	Time Saved
MACYS/GEMB	$1,468	Apr 2026	$208	21 months
AE (American Express)	$4,000	Jan 2027	$1,826	54 months
Honda (Car)	$10,000	Oct 2027	$128	14 months
chase (Credit Card)	$23,000	Dec 2027	$139	5 months
Key Bank (Personal Loan)	$11,850	Apr 2028	$1,517	37 months
Student Load (Student Loan)	$25,000	Oct 2028	$700	24 months
Key Bank (Mortgage)	$250,000	May 2034	$115,033	256 months

Figure 24

The Power of Being Debt Free

Nobody likes being in debt. Beyond the financial drain of monthly interest payments, debt can sap your emotional well-being and keep you from focusing on long-term goals. In the next chapter we will show you how actual clients have done the following:

1. **Shortened their debt repayment timeline**

Traditional approaches to debt payoff can stretch out for decades. By consolidating your attack using *Debt2Capital*™, you can often cut years off your repayment schedule.

2. **Started building a financial safety net**

While your debts are being eliminated, you'll see yourself still building a cash reserve – something that is neglected in typical "throw everything at paying off debt" snowball-based plans. This approach helps build liquid funds for emergencies, opportunities and those inevitable future purchases, all while still paying down principal balances.

3. **Reclaimed control over their financial future**

Once you get out of debt, the freed-up monthly payments can be used to invest, save for future retirement, or pursue other financial and lifestyle goals. Remember, wealthy people **own** their future; when you owe money, creditors own your future instead.

Putting It All Together: The Outcomes of Those Who Put *Debt2Capital*™ To Work on Their Debt

Adopting the *Debt2Capital*™ approach requires three fundamental steps:

1. **Identify your cash flow opportunities:** Consider extra payments, term policies you can convert, 401(k) contributions above the employer match, and systematic savings.
2. **Follow the system's plan and prompts:** The text messages and notifications direct you to pay down specific debts at precise times so you can maximize every dollar.
3. **Stay committed**: Use the plan long enough to see each debt vanish in a fraction of the time it would with standard monthly payments.

If debt bothers you, know that you do **not** have to keep living under its weight. There is a way out. The best next step is to **take action;** commit, learn the process, and follow the guidance. Being completely debt free for the rest of your life is possible and, for many, it is much closer than they think.

Chapter 7: Successful *Debt2Capital*™ Plans and Their Results

Meet Mark and Meghan. This power couple in the making have some serious professional momentum going for them. Both are very well educated BUT those educations came at a cost. In Figure 25, you can see how the *Debt2Capital*™ system helped rid them of their substantial student loans AND their mortgage before they were scheduled to pay off their original school loans:

The beauty of *Debt2Capital*™ is how simple it is to see how the plan goes to work for you. It's all about getting OFF the **RED** line and putting your debts ON the **BLUE** line so you can BUILD your **GREEN** line. The **RED** line is the bank's monthly payment plan and that is not where you want to be. The **BLUE** line represents your debt balances reducing using *Debt2Capital*™. Those ripples you see that correspond with the **GOLD** line show the cash value you've built in your specifically designed whole life policy being deployed and paying off your outstanding loans - so, the **BLUE** and **GOLD** work together to create your future **GREEN** money.

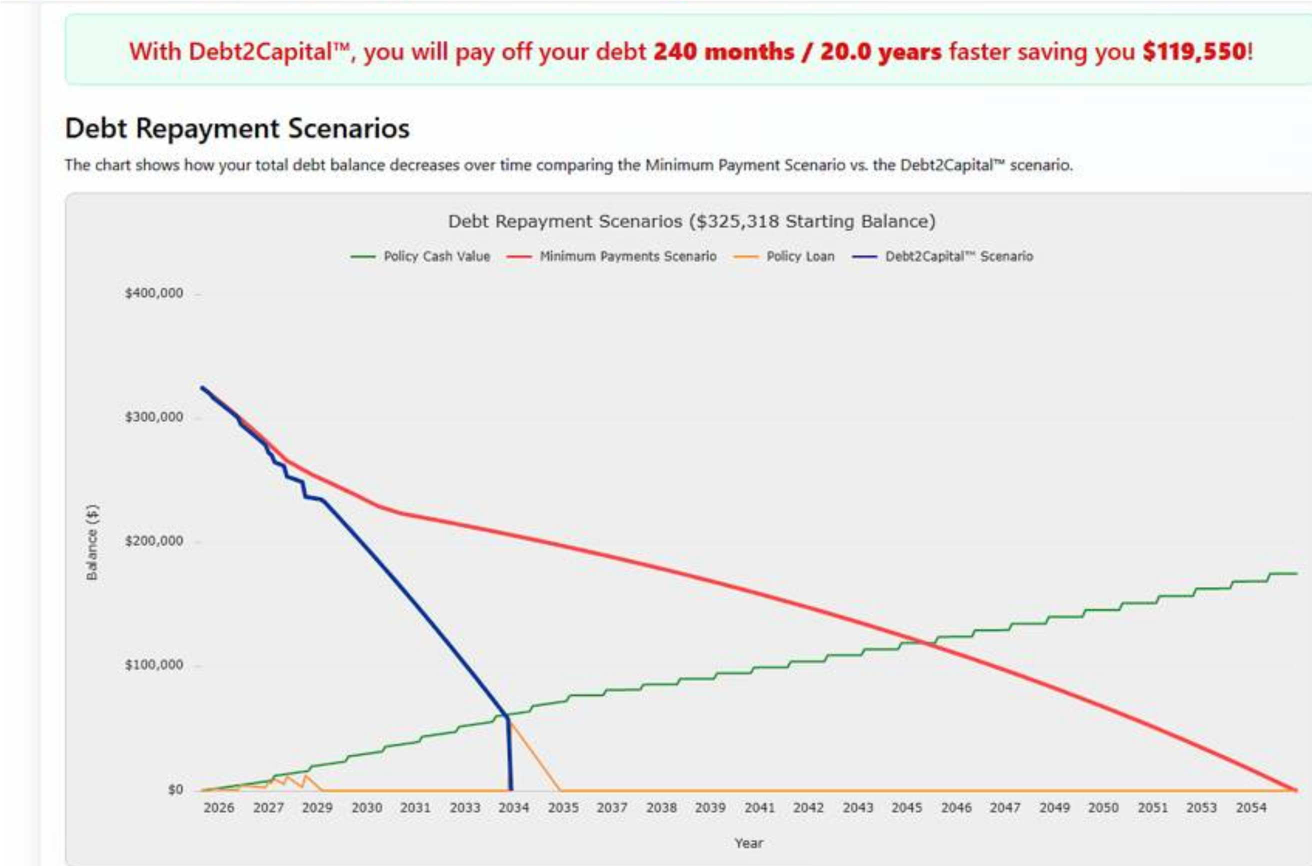


Figure 25

Let me put this into perspective for you:

If Mark and Meghan rode the **RED** line (the bank's plan) here's how much they would still owe in 2036:

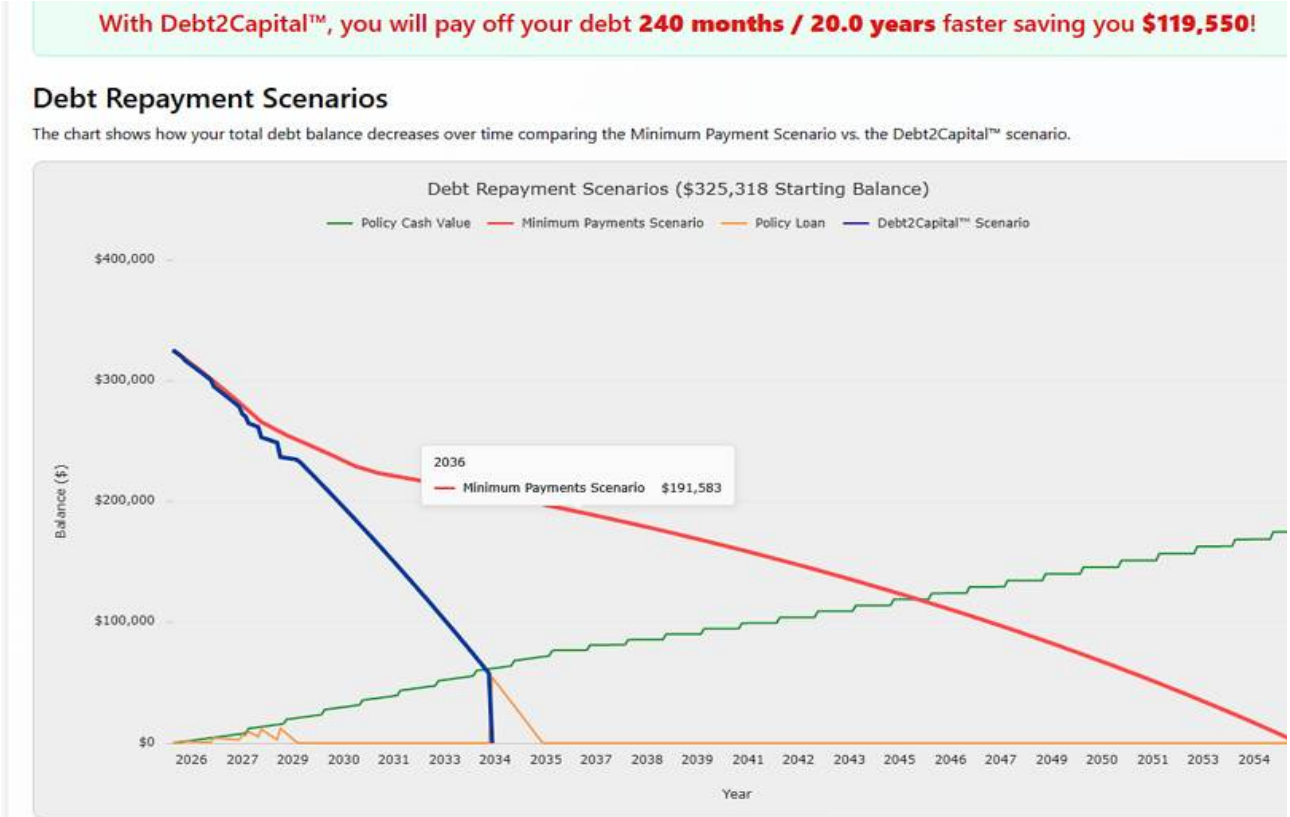


Figure 26

The bank's plan has them still $191,582 in DEBT in 2036.

Using *Debt2Capital™*, they've flipped the script on who is on the earning side of compound interest. Instead of paying interest, they are now earning it. Now, in Figure 27, check out the results they will see by 2036:

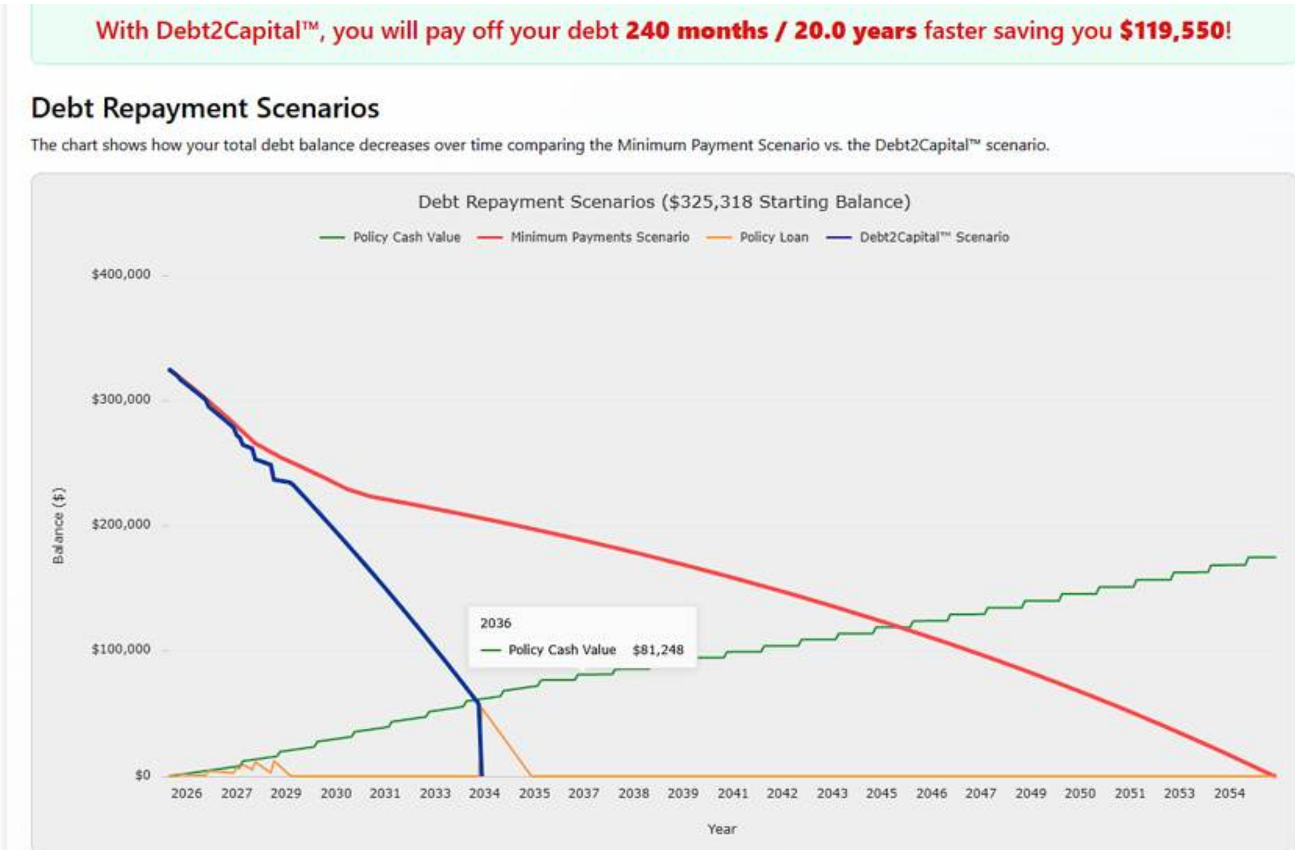


Figure 27

Using *Debt2Capital*™, Mark and Meghan have gone from being in debt for the next 30 years to being paid off in just 10 years—20 years faster! Now, when they are paid off in 2036, instead of owning the banks and financiers $191,852, they will have $81,248 to use when inevitable purchases come along. That is quite a favorable result. Everyone's results will be different based on what they owe and what they can afford to budget towards ridding themselves of debt and

building capital, but I can say confidently that this couple is very happy with that $272,830 swing in their favor.

Chapter 8: Your Next Steps with Debt2Capital™

If you have read this far, you understand the core concepts behind ***Debt2Capital*™**—a comprehensive strategy designed to help you systematically eliminate debt while building accessible capital for future inevitable purchases. Perhaps from the example in the previous chapter you see how this approach could fit into your financial life; or maybe you simply want to explore the idea further and see your numbers. Whatever your situation, the next step is straightforward: **get your customized results** and see how you can get off the **RED** line faster and start building some **GREEN** using the *Debt2Capital*™ system.

No Cost to See Your Results

One of the first questions people often ask is, “How much will it cost to see my *Debt2Capital*™ results?” The simple answer is **there is no cost to get your report**.

- **Get your free assessment:**
  All you need to do to get your free *Debt2Capital*™ analysis is scan the QR code on page 5 of this book then, provide some information about yourself.

- **Review your customized report:**
  The system calculates exactly how quickly you could pay off your existing debts, the potential interest savings, and how much future capital you would accumulate using the *Debt2Capital*™ model based on your current situation.

- **Reviewing does NOT = obligation:**
  You can review these numbers without any commitment to continue. Why not at least see the possible outcomes? No decision is required to see if this plan is right for you.

What You'll Get from the Agent You've Chosen to Work With

If you decide to move forward, your agent or financial advisor, who has been trained to build and implement *Debt2Capital*™ plans, will provide you with:

1. **Detailed guidance**
   Your agent should walk you through every element of the plan—how it integrates insurance or specific accounts, where the funding might come from (e.g., restructured 401(k) contributions, term life conversions, extra monthly payments), and a realistic timeline for achieving debt freedom.

2. **Expertise and support**
   Your well-trained *Debt2Capital*™ agent understands both the technical side (insurance products, scheduling software, etc.) and the personal side (helping you stay disciplined, navigate tough months, and troubleshoot changes in circumstances).

3. **Continuous monitoring**
   Once enrolled, you will receive periodic progress updates at least monthly, including guidance on which debts to pay first, possible adjustments to payment schedules, and how to deal with life changes (e.g., new income, additional debts, medical emergencies).

4. **Transparency**
   A critical component of *Debt2Capital*™ is clarity. You deserve to know exactly how each step benefits you, which costs (if any) may apply to certain product choices, and how your timeline might shift under various scenarios.

How to Apply and the Process

If you like what you see in your initial, no-cost results, enrolling in *Debt2Capital*™ typically follows a structured process:

1. **Application and data confirmation**
    - You'll fill out an online application with help from your agent.
    - Your agent will confirm the debt balances from the software's soft credit pull as well as account details and any relevant income or expense figures.
2. **Health and underwriting (if applicable)**
    - If whole life insurance is included in your plan, you may need to go through basic underwriting. The system seeks your easiest path to approval and often an instant decision is made. Other times, on larger amounts, some more traditional requirements like exams and/or bloodwork may be required.
    - If approved, the insurance component becomes central to your debt payoff and capital-building strategy.
3. **Plan finalization**
    - You'll receive your official *Debt2Capital*™ schedule, including directions on which debts to tackle first, how much to contribute, and when.
    - Your agent will help you set up the automated processes (e.g., text alerts and emails) that will help you stay on track.

4. **Ongoing management**

    ○ Your progress is monitored through automated regular cash value check-ins and reminders when it is time to pay off debts.

    ○ Instructions to pay off a specific loan or shift funds to maximize your payoff strategy are real-time. Please take action when prompted to minimize the Effective Interest Costs (EIC) you pay.

5. **Celebrate milestones**

    ○ Each debt you conquer is a victory—log it, acknowledge it, and let that momentum power you forward. Over time, watch as your debts fall away, and your accessible capital continues to grow.

Moving Forward

The ultimate goal of *Debt2Capital*™ is to position you on a faster path to debt freedom while ensuring you accumulate a cash reserve that can support emergencies, investments, and future inevitable purchases. Not every approach to debt payoff includes building liquidity; *Debt2Capital*™ stands out for addressing both objectives simultaneously.

1. **Zero-risk exploration**
   With no cost to see your initial results, you truly have nothing to lose in discovering where this strategy might take you.

2. **Confidence in your plan**
   By working with an agent who has *Debt2Capital*™ software access, you will gain a clear understanding of the plan's mechanics and customize it to your personal budget and goals.

3. **A tangible path to financial freedom**
   This is about eventually **owning** your financial future. The more debt you pay off, the more of your monthly income you regain. The more capital you build, the safer your household is from life's uncertainties.

Are YOU ready to be the next success story?

***Debt2Capital*™** is not a magic wand, but a disciplined, structured approach that uses time-tested financial tools and well-designed math. It thrives on three foundational principles:

1. **Consistency:** Stick to the schedule.

2. **Accountability:** Communicate with your agent, follow through on tasks, and take action when you receive the system's alerts.

3. **Visibility:** Watch your numbers. Celebrate every payoff. Keep your eye on the bigger prize of total debt freedom and a robust capital reserve for future inevitable purchases.

There is a difference between being "debt free" in theory and seeing actual zero balances alongside substantial liquid assets. If that vision appeals to you, exploring *Debt2Capital*™ is your wisest next step to take. All you have to do is scan the QR code on page 5 of this book to get started!

Chapter 9: The Worst Chapter for Last: Who Debt2Capital™ Cannot Help

Many people stand to benefit from moving forward with a *Debt2Capital*™ plan, but it is not a universal solution. As with any financial strategy, certain factors can limit its suitability. Before committing to *Debt2Capital*™, take a moment to consider whether any of the following conditions might apply to your situation. If they do, you may need to review the alternative solutions suggested.

1. No Room in the Budget

Debt2Capital™ requires consistent funding to pay down balances while building liquidity for future inevitable purchases. **If you have no additional money available in your monthly budget after covering housing, food, utilities, and other essentials then *Debt2Capital*™ will not work for you at this time.**

- **Why budget Is crucial:**
  You need enough cash flow to direct toward targeted debt elimination. The plan's power comes from making steady payments while also funding the cash value growth component of a policy that is then used to snowball your debts. Without additional cash in the budget, this added contribution through your policy isn't possible. REMEMBER: Your agent will NOT take more money from your pocket; just redirect the funds you are already paying out. That said, some folks are just making ends meet and have nothing beyond the ability to pay minimum payments.

- **Possible alternatives:**
  You could look at ways to increase your income or reduce expenses. Once you establish a bit of breathing room in your budget, you can revisit the plan and see if it aligns with your financial goals. ***If your budget is tight but you can afford to purchase convertible term insurance, it'll help to guarantee your ability to medically qualify in the future and, when your budget permits, you can start your Debt2Capital™ plan.***

2. Uninsurable or poor health

A unique aspect of *Debt2Capital*™ is using insurance tools— a specifically designed whole life (WL) policy—to generate cash value and fund your debt-payoff strategy. If you have serious health problems or are otherwise uninsurable, it may be difficult (or impossible) to qualify for the type of cash-value-emphasized policy integral to this plan.

- **Why insurability matters:**
  The *Debt2Capital*™ model relies on building cash value in a life insurance policy. If you cannot secure this type of policy due to health-related issues, the strategy can lose its core advantage of capital building over time.

- **Workarounds:**
  Often, healthy family members can be the insured, as long as the premium payor has an appropriate insurable interest. If you don't have an insurable party in your family, then a more traditional debt-payoff plan using "snowballing" or "avalanche" methods may be your next best option.

3. No personal discipline

Lack of discipline can derail **any** financial plan, no matter how well-designed. *Debt2Capital*™ is most effective when participants commit to following clear instructions, such as making payments on specific dates or redirecting certain monthly contributions when alerts are received. If you struggle consistently with overspending or impulse buying, that will erode the plan's effectiveness.

- **The importance of commitment:**
  Debt2Capital™ software sends real-time alerts (texts and emails) prompting you to pay off debts in a certain order. To maximize the benefits of the program, you need to follow those prompts. If you deviate regularly or fail to make scheduled payments, you will not see the accelerated results *Debt2Capital*™ can provide.

- **Addressing spendthrift habits:**
  Before enrolling, consider adopting a short-term spending freeze or a “cash-only” rule to test your discipline. If you find you cannot stick to guidelines, you might benefit more by first addressing the underlying behaviors—potentially with professional counseling or a money-management course.

Striving for the Right Fit

A key principle in any financial journey is knowing yourself—your strengths, weaknesses, resources, and constraints. ***Debt2Capital*™** is a powerful tool for many people, but it does not operate as a one-size-fits-all solution. If you know you cannot commit the necessary funds, do not qualify for insurance and do not have another insurable party in your family, or cannot stick to the plan’s schedule, you may need to find a different approach to eliminate your outstanding debts and/or address the behavioral issues around your debt.

***Debt2Capital*™ was designed for individuals who are prepared to restructure their finances and follow a proven system to build capital for future inevitable purchases.** If your current situation makes that impossible, address those barriers with your agent first, and allow them to help you develop the appropriate timeline to implement your plan so you realize its full potential.

A Final Word …

My goal with this book is to be fully transparent with you. The agents using this system are knowledgeable about how debt really works and how to effectively get rid of it. They can be the most valuable guide in your pursuit to rid yourself of debt once and for all.

I hope this isn’t the end but instead a new beginning for you to realize a future filled with capital instead of payments bloated with Effective Interest Costs, the real villain of your debt story.

BONUS Chapter: Gifting a Debt-Free and Financially Lucrative Future.

This chapter is a personal one. It is all about the money moves made for my son, Charlie, who is in his senior year of college and will soon graduate and join our team, working with other financial advisors to build great plans for their clients.

I am a big believer in gifting. Many people think of leaving money to their kids and grandkids as simply passing along whatever is left, and those amounts can be quite significant. I am not a fan of this “leave what is left” approach, because it skips the foundations of understanding money and instead dumps a pile of cash on someone who may have little idea how money really works.

Most money-manager types do not like gifting, and in practice, very few clients, other than my own, have a systematic gifting plan. This is somewhat less true for very wealthy families, some of whom make use of the annual gift exclusion.

Because I own a business and had real work my son could do, I hired him when he was fourteen. This was not gifting or a handout; he worked. He helped with marketing, attended advisor functions that were dreadfully boring and uncomfortable for him at that age, shook hands as a teenager in an ill-fitting suit, took sales classes and courses in marketing and advertising, and spent hours stuffing mailers and doing the jobs no one else wanted. He earned his money, and I paid him what an adult would reasonably expect to earn for that work. So, what plans did we use?

First, a Roth 401(k). He’s funded at roughly $19,142 per year via payroll reduction. With company match he has a little over $120,000 in his 401(k) plan with roughly 80% of it in the Roth. So, what is $100,000 in Roth worth even with NO additional contributions?

Present Value = $100,000

Years to Compound (61-21=40) 40 years

Rate of Return = 7%

Value at age 61 = $1,497,445

This was my FIRST move because the single most powerful force in compounding money is TIME.

Now, I fully expect him to keep funding and growing that number much larger over time, but by starting him out early, making him earn the money, forcing him to look at the 401(k) investment statements, and meeting with my accountant to sign his taxes, he actually has a clue. Most kids graduate college and say, “What the hell is FICA and why is that coming from my paycheck?”

That future money is nice and all but guess what he likes? Cars. Regardless of age … boys like shiny cars. When he wanted a new car, he used the 401(k)-loan provision to buy it. He had to talk with the administrator to set up payments, which reduced his net pay—just like the rest of us out here in the real world have to do.

But to help him with those future inevitable purchases, I bought a 10-pay whole life policy to build capital. In Figure 28, you can see the illustration:

Prepared for: Charles Zagula
Male, Age 16, Non Tobacco
Contract Premium Mode: Annual
Initial Premium: $4,707.00

Base Death Benefit: $300,000

		Guaranteed Value			Non-guaranteed, Current Scale					
Age	End of Year	Contract Premium + Riders	Cash Value	Death Benefit	Contract Premium + Riders	- Cash from Policy	= Cash Outlay	Annual Dividend	Cash Value	Death Benefit
17	1	4,707	0	300,000	4,707	0	4,707	30	30	300,030
18	2	4,707	1,200	300,000	4,707	0	4,707	30	1,261	300,316
19	3	4,707	5,700	300,000	4,707	0	4,707	30	5,793	300,593
20	4	4,707	10,200	300,000	4,707	0	4,707	30	10,326	300,861
21	5	4,707	15,000	300,000	4,707	0	4,707	32	15,162	301,122
22	6	4,707	20,100	300,000	4,707	0	4,707	30	20,297	301,384
23	7	4,707	25,500	300,000	4,707	0	4,707	30	25,734	301,627
24	8	4,707	30,900	300,000	4,707	0	4,707	31	31,173	301,863
25	9	4,707	36,600	300,000	4,707	0	4,707	30	36,912	302,099
26	10	4,707	42,300	300,000	4,707	0	4,707	30	42,652	302,321
		47,070			47,070	0	47,070	303		
27	11	0	43,800	300,000	0	0	0	852	45,016	303,357
28	12	0	45,300	300,000	0	0	0	899	47,456	309,267
29	13	0	46,800	300,000	0	0	0	949	49,979	315,298
30	14	0	48,300	300,000	0	0	0	1,000	52,589	321,455
31	15	0	50,100	300,000	0	0	0	1,052	55,589	327,725
32	16	0	51,900	300,000	0	0	0	1,110	58,690	334,106
33	17	0	53,700	300,000	0	0	0	1,172	61,897	340,618
34	18	0	55,500	300,000	0	0	0	1,237	65,216	347,266
35	19	0	57,300	300,000	0	0	0	1,303	68,651	354,047
36	20	0	59,400	300,000	0	0	0	1,374	72,512	360,957
		47,070			47,070	0	47,070	11,251		
37	21	0	61,200	300,000	0	0	0	1,374	76,128	367,930
38	22	0	63,300	300,000	0	0	0	1,374	80,104	374,675
39	23	0	65,400	300,000	0	0	0	1,376	84,140	381,205
40	24	0	67,500	300,000	0	0	0	1,376	88,234	387,531
41	25	0	69,900	300,000	0	0	0	1,375	92,689	393,652
42	26	0	72,000	300,000	0	0	0	1,376	96,907	399,578
43	27	0	74,400	300,000	0	0	0	1,380	101,495	405,323
44	28	0	76,800	300,000	0	0	0	1,379	106,157	410,900
45	29	0	79,200	300,000	0	0	0	1,381	110,898	416,300
46	30	0	81,900	300,000	0	0	0	1,381	116,018	421,535
		47,070			47,070	0	47,070	25,022		

Figure 28

As you can see at 21, Charlie will have roughly $15,000 of cash value.

Ultimately, the 10-pay whole life policy provides my son access to capital for future major purchases, such as cars. It was not built as optimally as the specially designed whole life contracts used in *Debt2Capital*™ plans, because those options did not exist at the time, so the best traditional choice was used instead. Between ages 27 and 40, he will still have a solid pool of capital available ($45,000 to $88,000) to help pay for purchases he would be making anyway.

Traditional planning rarely deals honestly with our tendency to spend. Americans are consumers; we buy things—lots of things. It is far more prudent to accept that reality and design a plan that harnesses compound interest on your side rather than letting it work against you and your inevitable spending.

This is not a call to abandon every traditional strategy. You can still use all the familiar financial vehicles, but ignoring the truth about spending puts you at serious financial risk.

This bonus chapter applies to many people who have the means to help their families. The whole life premiums shown are not enormous, yet, as a wise lawyer once told me, it is often small hinges that swing open the big doors.

If you are a grandparent with adult children in debt, you can make a tremendous difference. Adults have a responsibility to teach the next generation how money really works, but today many professionals are paid to give advice while focusing only on the asset side of the balance sheet and ignoring the long-term drag of liabilities.

You have found a professional who understands the true cost of debt—Effective Interest Cost—and who has a method to help you eliminate it over time. Whether you are the one in debt or the grandparent looking to help, one thing is clear: traditional planning has largely failed to free hard-working Americans from debt. Now you have a plan; get your numbers, see whether you have the means to move forward, follow the prompts, and before long you can be debt-free with money left in your pocket.