WHAT the Generational Ultra-Wealthy Do and WHY

"The good man shall give an inheritance unto his children's children…"
Proverbs 13:22

There is an age-old saying that wealth is made and lost in three generations.

The generational ultra-wealthy understand that taxes destroy wealth, so they have developed a system of values, documentation, and organizations to protect and grow their wealth. Then they teach future generations how and what to do to maintain the generational wealth.

The process explained in this article can be used by anyone at any economic level, and the sooner you implement the process, the better off you and your future generations will be.

First, we must understand what the ultra-wealthy DO NOT do.

The ultra-wealthy do not listen to mainstream advice. The mainstream financial advice instructs you to lock up money in tax-qualified plans like 401(k), 403(b), Roth IRA, or stocks and bonds, etc. The problem is that your money is locked up with no liquidity and is subject to Uncle Sam changing the rules on you anytime. How many tax law changes have you seen in your lifetime?

It is very unfortunate the mainstream financial "advisor" shares false information to their trusting client.

They recommend to their client to buy term life insurance and invest the difference. Then goes on to make a claim that if you put your money in a good mutual fund, you can receive a *12% average annualized return* on your money.

The TRUTH that is NOT explained is that there is a difference between **Average Annualized Return** and **Actual Annualized Return.** Let's do the math in the following hypothetical scenario to prove why he is wrong:

Say you have **$100,000** and you put that money in a good mutual fund as suggested. And let's say you receive a **100%** return – so you now have **$200,000**.

Now in year 2, let's say you take a **50%** loss so your **$200,000** is now the same **$100,000** you started with.

The math reveals that if you subtract the **50%** loss from the **100%** gain, you have a **50% overall gain.** Now we divide the **50% overall gain** by 2 years, and you have a **25% Average Annualized Return,** but your **Actual Annualized Return** is **ZERO**. Now factor in the loads and hidden fees in that mutual fund and market losses, and you have lost money!

Some "advisors" also says to pay cash for everything, but the problem with that logic is that you have lost the use of that money forever which is called ***Lost Opportunity Cost (LOC)***. Go to our website **Tivaldi.com** on the **Call To Action** page and read ***What is Economic Value Added*** to understand ***LOC***.

The ultra-wealthy use a system of *Dividend Paying Whole Life* high cash value policies that we call **IBC multi-generational banking system (IBC-mgbs).** They understand that when they borrow from their **IBC-mgbs** and repay the loan, wealth is always ***compounding*** to use for the next wealth building strategy.

The ultra-wealthy KNOW the destructive forces of wealth:

1. Assets divided among generations
2. Wealth transfer taxes and capital gains taxes
3. Business risks and third-party attacks

One of the wealth strategies that the ultra-wealthy understand is called the ***velocity of money***, but most other people do not understand. The ultra-wealthy realize that <u>the more they use their money</u>, the more WEALTH is created.

A book called, ***Becoming Your Own Banker,*** was written by, Nelson Nash. Mr. Nash was the late mentor of co-founder of Tivaldi, Joe Myers.

Nelson's book gives details about many wealth-building strategies.

One chapter called ***Equipment Financing*** explains the concept of ***velocity of money*** by utilizing **IBC-mgbs** policy loans <u>to finance equipment</u>. Five different illustrations in the book show a piece of equipment financed from policy loans. Each time another piece of equipment was added, the TAX-FREE <u>passive income increased in later years</u> – and THAT is the ***velocity of money***. This process results in *<u>uninterrupted compounding of your money</u>* that:

1. minimizes taxation,
2. *maximizes cash flow*, and
3. *creditor-protects wealth* in most states.

While the equipment financing strategy from policy loans is for businesses, the <u>same policy loans could be used for personal vehicle financing or any other major household purchase</u> – which would create TAX-FREE passive income in later years as well.

Using **IBC-mgbs** is one of the strategies that the ultra-wealthy utilize to <u>protect and grow generational wealth</u>. Some of the ways to use cash value policies for business are:

1. a *Key Person* agreement,
2. *Deferred Compensation* agreement, or
3. an *Executive Bonus* agreement.

If properly created, a *Deferred Compensation* or *Executive Bonus* agreement can be <u>funded</u> TAX-FREE while at the same time having TAX-FREE <u>use and liquidity</u>.

Households also grow generational wealth with **IBC-mgbs** of policies on every _insurable family member_ or _business partner_ to grow their generational wealth.

Few people know that ***Bank of America*** has over ***$22 Billion*** (that's billion with a B) in cash value of policies on current and past executives. Upon the death of each executive, the bank receives more TAX-FREE death benefits that are a great deal more TAX-FREE money than the cash values.

Many banks use cash values from policies to hedge against the increasing costs of employee benefits.

While cash values equal the death benefit at age 121 the cash values are the _compounding of premiums paid_ as well as the _dividend accumulation_ and ***velocity of money*** when using the cash values for finance needs.

Ultra-wealthy family examples. While I may not agree with what some of these families have done and the negative influences they had in the world, here are a few examples of money management successes and failures in three families: Rothschild, Rockefeller, and Vanderbilt.

Cornelius Vanderbilt was one of the wealthiest men in history, estimated at around $2+ Billion in today's dollars.

Unfortunately, it was reported in 1973 that of the 120 Vanderbilt descendants gathered at Vanderbilt University for their first reunion that year, _not one of them had a million-dollar fortune left_.

Prior to that 1973 report, Cornelius had left 95% of his fortune to his eldest son, William Henry Vanderbilt, who then doubled the fortune _but did not teach his heirs how to manage or grow his fortune generationally_.

The Rothschild and Rockefeller families did the opposite with their fortunes by teaching their heirs how to manage and grow the fortune generationally through **IBC-mgbs**, and this is why multi-generations in these families are thriving with untold generational wealth.

These two families knew the importance of keeping the family fortune in a *generational pool of money* to protect the fortune from taxes, lawsuits, and spendthrift heirs.

The Rothschild family knew the importance of life insurance so much so that Nathan Mayer Rothschild started the *Alliance British and Foreign Life and Fire Assurance Company Ltd* on March 23, 1824.

The Rothschild and Rockefeller families understood the traditional banking function. They understood that banks receive deposits, pay very little interest to the depositor, and then lend out the deposits, charging a higher interest than what the bank pays the depositor. Again, this is the ***velocity of money*** process that the ultra-wealthy utilize in their **IBC-mgbs**.

An additional benefit to **IBC-mgbs** is that life insurance policies are contracts, so they are under CONTRACT LAW and not TAX LAW, another reason the ultra-wealthy use **IBC-mgbs**.

The Constitution protects contracts under Article 1 Section 10 states - *No state shall pass any Law impairing the obligation of contracts*!

The ultra-wealthy build **IBC-mgbs** to have a pool of money to invest in opportunities as they come along, like when stock market crashes happen. When a crash happens, it affects the real estate market which results in fire sales on real estate.

Even during the worst time in American history, the ***Great Depression***, cash value policies created by companies that are mutually owned by the policyholders still received dividends and there was liquidity to access funds to purchase fire sale real estate or any other opportunity that came along.

Unfortunately, there can be fire sales when there are not crashes. For example, former owner of the ***Miami Dolphins*** was ***Joe Robbie***, who invested $115 Million of his own money to build the stadium. Unfortunately, when he passed, the majority of his wealth was illiquid so there was not enough liquid cash to pay the estate taxes, so the stadium had to be sold in a fire sale for approximately $45 million to pay the estate taxes.

Had Mr. Robbie utilized **IBC-mgbs,** his family would have been able to keep the stadium and the legacy of his name on the stadium, and <u>to continue the generational wealth and family legacy</u>.

The main components that the ultra-wealthy implement to grow and preserve generational wealth:

1. At least 1 annual family meeting (in person or virtual) is scheduled to discuss generational wealth-creation with heirs.

2. They understand **IBC-mgbs** is an immediate legacy once started and as each descendant passes on, their death benefits are used to build more **IBC-mgbs** to grow the pool of money and generational wealth. They understand the **IBC-mgbs** process produces more generational wealth than any other financial vehicle – while at the same time <u>minimizing taxation and maximizing cash flow</u>.

3. Trusts and board of trustees are created, and heirs must produce a business plan if they want to borrow money from the **IBC-mgbs.** At annual meetings, the family will discuss whether each loan was a good loan or bad loan – so the entire family can learn from good decisions as well as bad ones.

4. There are very strict rules in place to protect the **IBC-mgbs.** One rule is that if a family member borrows money from the **IBC-mgbs** and does not repay it, then they will likely never be able to borrow from the **IBC-mgbs** ever again.

The attribute to **IBC-mgbs** that **Tivaldi** focuses on is when money is recycled through **IBC-mgbs** the process is non-inflationary. The reason policy loans are non-inflationary is because the companies, mutually owned by the policyholders, that we recommend are regulated by the States and are required to maintain a FULL RESERVE, meaning if the company loans $100 million they are required to maintain $100 million in reserve.

Banks loan money through what they name FRACTIONAL RESERVE lending which is really COUNTERFEITING. If the banks loan $100 million they are only required by the federal government to keep $10 million or less in reserve so by repeated fractional lending practices the dollars already in the economy are diluted thereby reducing purchasing power.

To learn more about banking you will want to read ***The Creature from Jekyll Island*** to understand why the ***Federal Reserve Act*** unconstitutionally passed in 1913 has contributed to the dollar losing over 90% of our purchasing power.

To book a consult please contact us at Admin@Tivaldi.com