

BANKNOTES

The Nelson Nash Institute Monthly Newsletter

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Financial Planning and The IBC Practitioner

By L. Carlos Lara

Dr. Solomon Stephen Huebner was a distinguished professor of insurance at the Wharton School, University of Pennsylvania, and chairman of the Department of Insurance at the institution. He is responsible for having written the very first textbook on insurance in 1915 and introducing the first university-level insurance course in the United States. This earned him the accolade “*the teacher who changed an industry.*”¹ By 1998, I had read Dr. Huebner’s classic book, *The Economics of Insurance*, in which he introduced the concept of *Human Life Value*, and I was most impressed. What one cannot fail to grasp from reading Huebner’s writings is the undeniable fact that life insurance is the heart and arteries of a financial plan.

Three years later and shortly after the Dot-com Crash², I was in a classroom on a Saturday morning with a dozen other people listening to a seventy year old gentleman speaking about life insurance in a way I had never heard before. That southern gentleman was R. Nelson Nash. In view of the economic conditions of the country, his explanations were powerfully irresistible, and as he talked, I contrasted Huebner’s concept against Nash’s, whose emphasis was the cash value of insurance over the death benefit. Nash’s compelling arguments, a mixture of biblical wisdom, philosophy and solid economics, had the sound of truth all over them. Here was a man who used economic common sense in his explanations, an undeniable conviction in actually living what he taught and was totally lacking in fear. I could see he was a man of courage who knew we were all up against a formidable foe and he aimed to defeat it. At the same time, he preached a way of escape to all those who would listen.

In a vain attempt to politely contradict his theory, lest I be swallowed whole by his persuasion, I brought up Huebner. In one polite remark, he simply said, “*Huebner was right, but he simply didn’t go far enough!*”

I was convinced right then and there that Nash’s concept not only superseded Huebner’s concept, but it also had the power to change the economic landscape of the country. Simultaneously, I realized that Nash would most likely never see the fruition of his dream. The real

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catalyst that would eventually ignite the spark to a real economic turnaround from the bottom up was the *financial advisor*—the person who speaks to people about their money on a daily basis.

What Nelson Nash accomplished gave us the great gifts of *vision* and *hope* for the future in a world that many times doesn't make sense. I am grateful he was able to do it while he was still alive—a legend in his own time. The IBC practitioner who can become proficient in teaching Nash's message against the broader context of our economy, concurrently implementing the Infinite Banking Concept® (IBC) strategies to a public that is desperately in need of financial assistance, is the up and coming, preeminent financial advisor of the 21st Century!

The History of Financial Planning

Financial Planning is the practice of helping individuals or organizations improve their performance, primarily through the thorough analysis of existing financial problems and developing *plans* for improvement. The demand for these and related skills has been with us since ancient times. In this country, the rise of capitalism and the Industrial Revolution only served to increase this demand. In addition to insurance needs, many people now own shares of corporations and advice was sought to ensure this wealth.

“Four decades ago, the financial planning profession did not exist. For average Americans, an ‘investment’ meant a life insurance policy, bought from an insurance salesman who worked on commission. That was all changed by a one-time vacuum-cleaner salesman who had transformed himself into a marketing consultant and motivational writer, and a former insurance salesman turned school-supplies salesman who had a master’s degree in psychology. In 1969, they began a revolution that was intended to help ordinary Americans gain control over their financial destinies. Despite huge odds, ‘financial planning’—the first new profession in four centuries—succeeded beyond the most fervent hopes of its founders, not just in the United States

but also around the world.

Forty years after the profession’s inauspicious birth, there are more than 120,000 CFP professionals around the world, educated in scores of colleges and universities.”

*—The History of Financial Planning
E. Denby Brandon, Jr. and H. Oliver Welch³*

We all know that many types of investments, as well as life insurance, are financial products that must be sold, an obvious truth in the financial services industry. As stated earlier, Huebner empowered the insurance agent to couple the sale of insurance products with the ability to provide planning services. In essence, the insurance agents were the first and, in many respects, still are, comprehensive financial planners. The number of public accountants and lawyers are legion. Yet with all the benefits of professional assistance in navigating through a maze of tax laws, the fine print on financial products and risk variables in investment prospects, the public is more confused than ever. Clearly, advice offered by many in the financial services industry is not providing the help that is most needed because their advice merely scratches the surface of the real problem. A person's poor judgment, undisciplined money management, or lack of time to expertly research every aspect of financial decisions may be the culprit in some cases; however, the real problem stems from a completely different source. It is *government intrusion* and, especially, *monetary policy* that is at the core of this money problem.⁴

Since the stock market crash of 1929, Congress pushed through legislation with the official goal of protecting small investors from a recurrence of that event. The Securities Act of 1933, the Securities Exchange Act of 1934 and the Investment Advisors Act of 1940 all established guidelines for regulating the investment industry while providing disclosure and investor education. Following the establishment of these firm boundaries, very little changed in the financial services industry during the ensuing thirty years, but there was now a distinct legal separation between banking, Wall Street firms, and life insurance companies.

With the increasing encroachment by government into virtually every sector of the economy, and the simultaneous rise in *inflation*, brought about by the closing of the gold window in 1971, the financial needs of Americans became more urgent and complex. The financial advice business also grew and became more specialized. Except for the members of the Austrian community, such as Mises, Hazlitt, Hayek and others, very few knew what lay ahead in the domestic and global markets if the United States didn't reverse its course. Their message was simple. The only way out of the impending financial crisis of the future was for government to get out of the way and free up the markets...*completely!* That message specifically implied the return to *sound money*. That message was ignored.

As a young man entering this new profession in the early 1970s, I did not realize that no other sector of the economy was as intertwined with the government as the financial services industry. Still, the *consulting* profession in the early years was not yet excessively encumbered. All those constraints would come much later, whereby only government-approved financial firms would have a chance to enter and compete equally in the market. Nevertheless, in those early years, I pursued my career and chose to distinguish myself from all others entering the field by selecting a unique specialty within this new profession—*business insolvency*. More accurately, I became a *workout specialist* for businesses in financial distress. This meant dealing specifically with businesses, but of course, many business firms, especially closely held corporations, have been built around a single individual or family. To this extent, there is and always has been a close affinity between businesses and individuals. Consequently, financial services provided to one would automatically benefit the other. They are inseparable.

As the years went by, the signs predicted by the Austrians began to appear, but it also became clear that most people could not see or hear the message. However, after each boom and bust cycle, it was undeniable, painful and clearly visible. Each time, bankruptcy and liquidation permeated various sectors of the economy as a result. But the big one was

still years away. The more I became an expert in handling these special types of business problems, the more it became apparent to me that government subversion of the market and current monetary policy as implemented by the Federal Reserve were the single biggest causes of all business and personal financial crises.

The Federal Reserve and the Government Protect A Select Few

As we all know, not all government intervention is negative to the financial industry. What we have all seen, especially since the 2008 financial crisis, is that not all businesses are the same. Businesses, especially big ones, receive special government treatment. When the Federal Reserve exercises quantitative easing and creates money out of thin air, the first to have use of it is the government-sanctioned banking monopoly, followed by all those other large firms with membership in the “*too big to fail*” club. These are the established, yet poorly run, financial firms that, more often than not, specialize in derivatives.⁶ They are able to exist and navigate the regulatory maze solely through the use of subsidized handouts from the government. The continual propping up of these institutions is making the individuals who run them extremely wealthy at the expense of the economy's legitimate producers, savers, and investors. When these convoluted banking mechanics are implemented by the Fed and mandated by government, they fool and entice unsophisticated investors and entrepreneurs into ventures that are far riskier than they appear on the surface. The results are the creation of moral hazard,⁷ exacerbating the instability of the financial system. At the same time, all other financial firms, especially the smaller ones, suffer and are eventually eliminated from competition by costly and increasingly burdensome regulation. Still, Congress believes more regulation is absolutely necessary to solve our economy's problems and prevent another financial crisis. In actuality, more regulation only burdens the economy. The squandering continues unabated by the powerful, the elite and the select few.

Retirement? It's an Illusion for the Average American

There is absolutely no way for the average American to retire in light of what we have just stated. There is no way to do it without first having stockpiled a substantial amount of real savings. An average annual \$60,000-\$100,000 in retirement income requires a stockpile of several million dollars. The average citizen in today's economic environment simply cannot do it without a complete reversal in thinking about retirement. This disassociation with reality by most Americans on the subject of retirement was explained in a New York Times article entitled "Our Ridiculous Approach to Retirement," written by a professor of economics who specializes in the economics of retirement. In it, she points out:

"Seventy-five percent of Americans nearing retirement age in 2010 had less than \$30,000 in their retirement accounts. The specter of downward mobility in retirement is a looming reality for both middle and higher-income workers. Almost half of middle-class workers (49%) will be poor in retirement, living on a food budget of \$5 a day. To maintain living standards into old age, we need roughly 20 times our annual income in financial wealth. If you earn \$100,000 at retirement, you need about \$2 million beyond what you will receive from Social Security."

—Teresa Ghilarducci⁸

Of course, we already know Social Security cannot be relied upon, but these recent facts documented by Ms. Ghilarducci are true.

Americans know they need to save; they simply cannot. Unless they can become fully informed of the real source of their money problems, they will not be able to solve this dilemma. It can all be so overwhelming that people go into denial. To put it simply, life has a way of completely derailing the best and most disciplined savings plan. For example, the fear of losing one's employment is a constant threat to individuals these days. Also, a serious accident or illness that incapacitates the breadwinner for extended periods of time can deplete savings and limit income.

Bankruptcy is frequently inevitable under any one of these circumstances. The same is true in the case of divorce or other forms of lawsuits. What about the untimely death of the breadwinner? Yes, life, as we all know, is fragile and filled with uncertainties. When these life events are coupled with severe money problems, there is no way to save for retirement. Is there any wonder why Americans are forced to turn to the government as the ultimate caregiver? Finally, the current housing crisis has added insult to injury. The American home, one of the most sought after dreams and a storehouse of savings for most Americans, has been completely undermined. Americans are feeling a sense of total defeat and hopelessness.⁹

It's Time To Get Serious

If ever there was a need for a totally new form of financial planning, it's certainly now. In the current environment, traditional financial planning is virtually irrelevant. This was the primary reason Bob Murphy and I wrote *How Privatized Banking Really Works*. It became abundantly clear that we are not in control of our money and what little money we think we do have in our control is becoming worthless. The financial advisor of the future must be able to speak with their clients on these realistic terms in an educational manner. The purpose is not to scare the public, but rather to insist that the public not remain naïve. The Federal Reserve and government intervention must be brought into the financial planning conversation by financial advisors who know how to explain it. The strategy implemented must be presented in light of this broader context if it is to make sense. The new plan for the future must give the client the eyes to see clearly. *Control, liquidity and exit strategies*, with thorough explanations of how everything is *monetized*¹⁰, should be introduced in a logical manner.

In light of this paradigm, John Exter's *Pyramid of Collapsing Values*¹¹ is worth studying. John Exter (1910-2006) was an American economist, a member of the Board of Governors of the United States Federal Reserve System. When he first presented this model in 1973, Exter was describing a collapse of the economy. In a panic, the idea is to move downward. Note that

gold is the money of last resort and appears at the bottom of the pyramid. The problem is that we can't actually use gold as money until everything collapses. In the meantime, where are you currently invested? For the IBC Practitioner, the orange and yellow areas of the pyramid are of particular importance because this is where the life insurance sector has our money. When meeting with clients, he must be fully prepared to explain why, given the current economic climate and compared to all other financial products, the "IBC-designed" insurance policy provides the safest residence for his money until he is ready to utilize it.

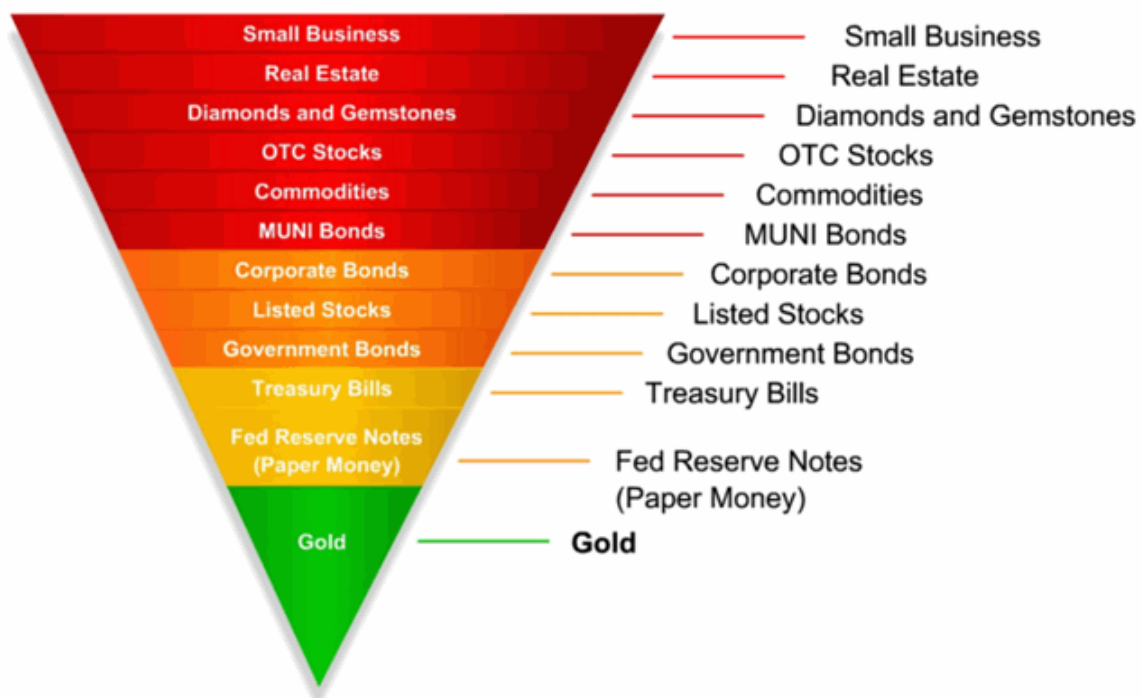
Privatized Banking

Let's not forget that the cash flow of the economy runs through these three large pools of money—*commercial banks, Wall Street firms and insurance companies*. This cash flow is virtually out of our control, but in control of the Federal Reserve and government. Given this closed money environment, we have to exercise sound thinking in determining where we will place the money in our possession and for what purposes. Our sole purpose should be to practice privatized banking.

“Once fully understood, these three ideas (Austrian Economics, The Sound Money Solution and Privatized Banking, as described by R. Nelson Nash) provide the basis for a formula with powerful turnaround dynamics that may be implemented by virtually any individual. The result is a private economic enterprise and self-perpetuating teaching tool that provides the individual the savings, banking, and financing capabilities he needs to acquire all of his material needs, plus the power to literally reconstruct national monetary policy. It is these benefits that are the key to keeping the individual inspired as he spreads the message to others. As the message grows, public opinion will change. This is, finally, a solution that answers the question of what one person can actually do that will make a difference in an economic environment that has gone terribly awry.”

—How Privatized Banking Really Works¹²

John Exter's Pyramid of Collapsing Values



Conclusion

Never before in the history of America has there been a more desperate need for truthful economic education than the one we face today. Is it possible that a small group of free market thinkers, such as ourselves, entrepreneurs, lovers of liberty, champions of sound money, even stand the smallest of chances of reversing the course of this country with our own brand of revolution and against such insurmountable odds? The challenge is certainly enormous. Yet this will be the calling of tomorrow’s financial planner.

We speak of the IBC Practitioner, whoever he may be. Inspired by Nelson Nash and all those great Austrians before him, it is he who can get this job done. Now he must step forward and announce himself. **“I am he, send me!”**

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IBC Practitioners have completed the *IBC Practitioner's Program* and have passed the program exam to ensure that they possess a solid foundation in the theory and implementation of IBC, as well as an understanding of Austrian economics and its unique insights into our monetary and banking institutions. The *IBC Practitioner* has

a broad base of knowledge to ensure a minimal level of competency in all of the areas a financial professional needs, in order to adequately discuss IBC with his or her clients. Before you look for a practitioner, we suggest listening to the following two episodes of [The Lara Murphy Report:](#)

- [How-To Guide for Starting IBC, Part 1](#) How to begin your study of Infinite Banking, including finding an Authorized Practitioner.
- [How-To Guide for Starting IBC, Part 2](#) How to prepare for your first meeting with an Infinite Banking Authorized Practitioner.

The professionals listed below renewed their membership as an *Authorized Infinite Banking Concepts Practitioner* in April.

MEMBERSHIP RENEWALS

- Alan Blecker, The Villages, Florida
- Ernie Brown, Birmingham, Alabama
- Dwayne Burnell, Bothell, Washington
- James Byers, Aurora, Colorado
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