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Bestselling Author of *The Compound Effect*

THE SECRET ASSET

Making Millions with
Investment-Grade Life Insurance

*How our family made over \$100 million buying
investment-grade life insurance, and what you need to know
about the greatest asset you don't already own,
don't own enough of, or own incorrectly.*



DAVID D'ARCANGELO

This book is being given to

because I care about you.

[Affix business card here]

What Life Insurance Agents Are Saying about *The Secret Asset*

“Powerful mathematics! A new take on the real math behind life insurance and why it should hold a place in everyone’s diversified portfolio. A common-sense story that my clients can understand and a great gift for all my clients in the medical field.”

Dan Yacker

“David puts the ‘life’ back in life insurance. Wow!”

Lee Goldsmith

“This strategy is fantastic. D’Arcangelo takes away the mystery behind all those hard-to-understand life insurance illustrations. Why wouldn’t you buy as much life insurance as possible at net-zero cost when you can potentially yield IRRs far in excess of almost any other asset class?”

Mike Knowles

“This book provides excellent insights and strategies into the often overlooked asset David calls ‘investment-grade life insurance.’ I’ll be keeping this book on my desk so I can make it a part of my clients’ investment planning conversations!”

Michael C. Holt

“This book opens up new strategies and ideas that have been extremely successful. I recommend this book for insurance agents and their clients.”

Kyle Perkins

“Investment-grade life insurance should be in every qualified family’s portfolio. As one of my clients said when he realized the true value of life insurance, ‘There is no risk that my family will receive a seven-figure tax-free payoff on my policy that will beat the return on most every position in my financial portfolio. It’s just a matter of when they will receive the check.’”

Brian Menendez

“The truth about life insurance has been too obscure for too long. David’s telling of the tales reveals the underlying strength of life insurance as an available asset. Opening your mind to these opportunities and taking the time to understand the power in the numbers will reward those who employ David’s strategies.”

John W. Cochran, Jr.

“Finally, someone makes it easy to understand. This is by far the best insurance guide I have ever read. I plan on giving each one of my clients a copy.”

Edward L. DeWitt

“David, in the subtlest of ways, makes understanding the intricacies of life insurance elementary yet intriguing at the same time. His idea to create and paint a picture of a family’s needs is ingenious, and it is something I will definitely share with clients.”

Shane Walton

What Consumers Are Saying about *The Secret Asset*

“Clinging to old beliefs in these uncertain times is a recipe for disaster. Thankfully, David D’Arcangelo has written another paradigm-shattering book that shows you exactly how to profit from one of the simplest, yet most misunderstood, financial tools available. Read this book and change the financial future of your family for generations to come.”

Robert Helms, Host, *The Real Estate Guys*

“Wow, David once again shares with us not only his wisdom concerning the big picture of one’s financial landscape, but also a way in which to live a value-driven life financially. David’s strategies and thinking can change our children’s lives as well as those charities that will be sustained even after we have passed on. Thank you, David!”

Susan Wheeler, Real Estate Loan Consultant

“David D’Arcangelo is a financial and insurance genius. He has helped many people make money in low-risk life insurance. In this book, he has clearly presented another great opportunity to make money with investment-grade life insurance. The policy will result in high returns at a tax-free rate.”

Robert Nakamura, M.D.

“This book has managed to translate complex financial strategies so that anyone can benefit from wealth management techniques that have previously been available only to the wealthiest families. These strategies are brilliant. Inside these pages, I found many other valuable lessons that are, quite literally, priceless.”

Michael Teitleman, Retired Headmaster, The Bishops School

“This book makes an excellent case for investment-grade life insurance. It very much reminds me of several monographs I read in the 1960–1975 period that venture capital investments were becoming worthy of serious consideration by institutional investors. At this time, VC was considered a special cult area exclusively populated by gunslingers of truly exceptional courage. These gunslingers had by this time shown considerable performance consistency. Therefore, the authors stated, it was time for this attractive mother lode to be discovered by ‘responsible’ investors.”

Louis Alpinieri

“Life insurance is a value-added portfolio asset, an eye-opening concept that can bring real benefits to all readers looking to diversify their opportunities and risks.”

Richard Feinberg, Business Consultant and Ph.D. in International Economics, Stanford University

“David clearly has an in-depth understanding of the insurance market as well as investments and what it takes to make and preserve money. His approach is different from what one typically hears, but it is a must to follow because the entire presentation is based on common sense and logic. After reading the book, it is easy to understand why he is a leader in the industry.”

Lee Johnson, Ph.D., CEO, Casa Palmera Care Center

“David has become a trusted friend of ours since we met to evaluate our life insurance needs. Considering life insurance an asset instead of an expense was a new thought process for us. We highly recommend his book as a valuable tool to start thinking of investment-grade life insurance as a way to protect yourself and your family for generations to come.”

Richard & Stephanie Mirer, Founders, Mirror Wine Company, Napa Valley

“David’s book has guided us on the ‘best’ path possible to acquiring real assets totally uncorrelated to the stock and real estate markets. The difference between a pretax equivalent IRR that we have to earn versus the tax-free IRR of life insurance is sobering! We finally grasp and understand the certainty that life insurance delivers.”

Mark & Dina Call, Authors of *The Book on WebCasting*

“David’s rich experience in business is reflected in his insights about how sophisticated clients purchase life insurance. I have heard David present often to other life insurance professionals and take them to a higher understanding of the products they help clients purchase. This book will certainly elevate the consumer’s and the agent’s understanding of this incredible financial product known as life insurance.”

Bob Carter, President, Lion Street, Inc.

“Can a book make you wealthy? This one can. Buy it. Study it. Live it.”

John & Jan Greene, Founders, PhoneBurner.com

“What a well-written piece. Not only educational, but also interesting. The style of writing takes a subject of pragmatic relevance and spins it in an interesting and heartfelt tale that captivates the reader’s attention. Well done and incredibly interesting.”

Jeff & Tricia Edwards

“A powerful guide about tax-free money that captivates, teaches, and stimulates new ideas.”

Simon Grabowski, CEO, Implex

“If books could be mandated, *The Secret Asset* should be mandatory reading. Finally, our family understands the enormous value proposition in owning as much life insurance as we can buy.”

Scott & Erika Laing

“David is brilliant in explaining how life insurance is one of the most valuable assets in a financial plan. He certainly understands the mathematics and explains it in a simple manner. This is great reading!”

Bill Pollakov, CEO, The Pollakov Group

“Thank God *The Secret Asset* is a secret no more! I was fortunate enough to make it to the National Football League; unfortunately, I was clear I was never the smartest guy in the room (even when I was the only one in it!). The many years of smashing my head against the wall a hundred times a day in the NFL sure didn't help my situation either! Thanks to David, I can now finally understand what others have been trying to explain to me for years about investment-grade life insurance. Thanks, David, for bringing it down to my level!”

Sean McNanie, National Football League Player (1984–1991)

Books and Programs by David D'Arcangelo

Wealth Talk (1993)

Money Smart (1994)

Strike It Rich (1995)

Wealth Starts at Home (1997)

Cash Flow Marketing (1998)

The Secret Asset (2011)

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DAVID D'ARCANGELO

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To my wife, Carrie;

my daughter, Ava Bella;

my great friend from college, Randy Perkins;

and my wonderful 12/10/2010 Hoffman Institute process family and friends Shannon, Marc, Brian, Mel, Beth, Joey, Nancy, Cari, Bruce, Gloria, Aideen, Maggie, Michael, Laila, Rachel, Ciuin, Laura Anne, Karen, Christy, Robin, Andrea, Petra, Thomas, Beth, Cherie, Heidi, Jay, Sean, and last but not least, teachers Mary, Sharon, Laurel, and Big Ed.

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| PREFACE

This book would not have been possible if my college roommate and business partner, Randy Perkins, had not called me in 2006 and invited me to join him in what I call the “investment-grade life insurance” business.

I’m not sure words can properly describe or even remotely do justice to the titanic life force of positivity that is Randy Perkins, so I’ll just say this: Randy is the guy most guys want to be but never have the guts (or the smarts) to become. He’s the life of the party and the smartest guy in the room (although he’d never admit it to it).

I met Randy when we were freshmen at the University of Redlands. We both played sports. Randy was a bruising college basketball power forward who could actually shoot and handle the ball, while I was a deceptively quick college football player who used hustle and heart to make up for what I lacked in size. Even though we excelled in our respective sports, we had no delusions about our prospects. I knew the NFL would never consider a 5'8", 185-pound running back with a 4.6 forty. Randy knew the NBA wasn't looking for a 6'4" forward with a bad knee. Knowing our futures weren't in sports liberated us in many ways.

We couldn't get enough out of the experience college offered, attacking the books with gusto and enjoying an all-star social life. I had made a friend for life in Randy Perkins.

After college, Randy went on to unparalleled success, and in 1983, I joined him in the financial business. We had a blast! We were as successful as we ever dreamed. Eventually, Randy retired (I don't even think he was forty!) to coach his children's sports teams, and I sold my day-to-day business to a division of a New York Stock Exchange company in 2003. I went on to build a number of businesses, write books and training programs, host a TV show, and ultimately, become the founder and

chairman of one American Stock Exchange company and the president of another.

For the past several years, I've used the knowledge I gained from working with Randy—and the success I've had making the family in this book more than \$100 million—to help people make more money with less risk. I realized that I could reach more people by putting all this knowledge into a book so people like you could fully understand why investment-grade life insurance is one of the greatest assets you have for building family wealth.

While “bad information leads to bad decisions,” the opposite can just as easily be true. So here's truly “good information” on investment-grade life insurance. I've written this book using a fictional family, which closely resembles my own, to illustrate the various strategies and techniques involved in this genuine “revolution.” It's my sincere hope that you not only enjoy the book, but also learn and apply it to your life and family—that you may make “good decisions” buying investment-grade life insurance.

| INTRODUCTION

The following story revolves around a fictitious family, but the strategies contained within are anything but fictitious. They're real. They are the same ones I help really smart, wealthy people own. Investment-grade life insurance can create unfathomable wealth, not only during your lifetime, but also for generations to come.

ABOUT THE FAMILY

To demonstrate how these investment-grade life insurance policies can be used, I've created a typical all-American, middle-class family covering four generations—grandparents, parents, children, and grandchildren.

The book is written in the first person and narrated by one of the children who happens to be a financial strategist—me. I demonstrate how investment-grade life insurance made the family over \$100 million dollars—a return so big you'd think it was the gross national product of a small third-world republic. Yes, a nine-figure return!

The story starts with a fairly simple moneymaking adventure with the grandparents, shifts to the parents, and finally ends with my brother and his children. This smart, successful family wanted to create a family legacy with a lot more cash at every level of the family tree. They figured out a strategy that allowed them to make money coming and going. They did the math and realized they could get a safer, better rate of return on their money by buying investment-grade life insurance on every member of the family.

The only piece that is left out of the story is what your money tree could look like when you replace my family with your own. Just imagine!

ABOUT THE STRATEGIES

This is, ultimately, a story about creating wealth by betting on you. And why not bet on you? After all, no one else is going to make you wealthy.

So, as you read along, simply substitute your own family and relationships into each strategy. Then, project how much wealth you can accumulate. I use larger examples in the book for impact; however, these strategies can work for you if you qualify.

You will see examples of life insurance strategies on one life and some on two lives, what we call “second-to-die” policies that are typically for a husband and wife. Keep in mind that there is flexibility that will allow you to benefit from buying a second-to-die policy on you and an ex-spouse or any two family members. If you are buying a policy and you or the second person is uninsurable, one strategy is to borrow a life or, in other words, use a surrogate insured.

It’s that simple.

Every strategy that’s outlined in the book is scalable. For instance, if the net worth of your family is \$100,000 or \$1 billion, just scale my examples up or down accordingly. That way, you can personalize this astounding opportunity for your own particular needs.

I will tell you that there are hundreds of variations to the strategies I use in the book—too many to include in this story. While the ones I have used have been created for impact, other variations may offer even better opportunities. The idea is to open your mind to these new possibilities and then seek help from a really smart, licensed, qualified life insurance agent.

It’s my sincere hope that this story—these strategies and truly astounding figures—permanently changes your thinking about how you and your family can create and perpetuate previously unimaginable amounts of wealth during your lifetime. You can dramatically increase the size of your family’s legacy by millions—if not tens of millions or even hundreds of millions—of dollars.

ABOUT INVESTMENT-GRADE LIFE INSURANCE

Quick question: Do you own life insurance or do you own investment-grade life insurance?

The main takeaway I want you to have from reading this book is the term *investment-grade life insurance*. Through the examples used in the story, you will come to understand the true meaning of this term and how it can change your life—and the lives of your family members for generations to come.

Investment-grade is what I use to describe a life insurance policy that has been designed by the life insurance agent to optimize the performance of the policy. It can be the most consumer-friendly, opportunistic financial vehicle when it's designed and purchased correctly. The results can be so compelling that you will be forced to ask yourself, "What percent of investment-grade life insurance do I want my family to own in our portfolio?"

Life insurance is a portfolio asset, just like stocks, bonds, and real estate. It can be bought at a net-zero cost, minimum-funded, over-funded, gifted, financed, 1035 exchanged, collateralized, generation skipped, and held until death, when the heirs can collect the insurance benefit without sky-high income and estate taxes.

ABOUT THE POLICY EXAMPLES

The examples of policies used in the book, such as those on the lives of Grandpa John, Grandpa Fred, and others, are single-life policies and pay the stated death benefit upon the death of the insured. In some cases, I have used policies on two lives, the second-to-die policies I previously mentioned, because they pay off at the second death.

Many of the policy examples are "current assumption" examples, and some are "guaranteed" examples of policies. The point to remember is that current assumption policies are based on current assumptions of interest rates, mortality charges, and expenses. Guaranteed policies contractually guarantee your policy for the period of time you choose at purchase. Current assumption policies are generally less expensive than guaranteed policies.

Also, I use some policies designed to go to age 100 to prudently save premium cost, even though companies now produce policies that go to age 121. The policy numerical illustrations are designed to help

demonstrate the concept presented and represent no specific policy or company. These examples are not designed to be life insurance illustrations. Complete illustrations can be designed and obtained from your life insurance professional based on your own personal information and objectives. Actual life insurance policy illustrations and policy results will vary based on a number of factors such as policy type, design, health rating, and performance.

Since this is a fictional story about a family, I have taken liberties to dramatize opportunities and possibilities. The characters, places, and names in this book, with the exception of my family, are fictional and are in no way intended to depict anyone in real life. Keep in mind that the illustration examples in this book are just that: examples. The information provided is general and should not be considered legal or tax advice. Consult with a legal or tax professional regarding your unique tax situations.

PART 1

BUILD A FAMILY LEGACY

CHAPTER 1

MEET THE FAMILY

So let me introduce you to my family.

BIG MIKE

Big Mike is just that—big. He has hands the size of a prizefighter and legs that double as tree-trunks. Physically, he is the classic, almost stereotypical Italian you might see in *The Godfather*; however, though he has a dominant personality to go with the looks, he is so mild mannered and kind hearted that he'd never last a day with the Corleones. My dad also has a financial mind that could compete with the whiz kids on Wall Street.

MOM

My saintly mother gave birth to four boys within a five-year span. I still have no idea how she managed to do it. There were so many fights at our house that I've often wondered what was worse for her—giving birth four times in five years or raising us during the next seventeen years. She'd never answer this, of course—too much class—but it is almost shocking we didn't end up as professional boxers or wrestlers.

GRANDPA JOHN

My dad's father, who had grown up poor in Italy, came to the United States in 1920. He had arrived at Ellis Island with Grandma and \$13

in his pocket. Grandpa John was a hard-working man who worked diligently to become financially successful. He eventually turned his popular auto lubrication shop into a successful fifty-five unit franchise. A devoted family man, his one wish was to leave an enduring legacy for future generations.

GRANDMA

Grandma was the love of Grandpa John's life. His soul mate. She was a strong woman with a classic dry wit. She loved flowers and turn-of-the-century furniture. She absolutely detested Grandpa John's posse of three hunting beagles that managed to take over the back yard and, quite frequently, dig up all her prized flower beds.

GRANDPA FRED

My mother's father was definitely an independent thinker, a trait he passed along to his four grandsons. He had the most wonderful, colorful stories and a strong opinion about herd mentality. Grandpa Fred would always park as close as he could to a store entrance—"because just as many people leave from the front as the back"—and he felt the need to point out that two-lane freeway exit ramps always had more cars in the farthest right-turn lane and only two or three in the second right-turn lane, which just completely baffled him and led him to conclude that "the masses are almost never right."

TERRY

Our other grandmother was Grandpa Fred's wife, whom we always called Terry. She was by far the best cook, most eloquent speaker, and classiest dresser of anyone in our family (or surrounding neighborhoods, for that matter). Some people just carry themselves so well that they command respect—and that was Terry. She was a college graduate who served as Grandpa Fred's financial bookkeeper for his business and residence. Terry was the "what if things don't go as planned" conscience guiding Grandpa Fred's most important decisions.

MICHAEL

My brother Michael is the oldest of Big Mike and Mom's four children. The technology brain of the family, he is quiet, serious, focused, and an absolute whiz with computers. His propensity for numbers—inherited

from Big Mike, no doubt—and seemingly endless stockpile of cash made him the perfect banker when we were kids. He had no problem lending us money (for a small profit). If you paid him back on time, you were given the privilege of borrowing more. If you didn't, he would give you three things: an extension, a penalty payment, and a whup-pin' that would take the better part of the day to recover from. A born leader, Michael is a commander in the Navy Reserve SeaBee Division, and is married with two boys, William and Robert.

JOHN

Long, lanky, and balding. That's my brother John, the third child. John is definitely the most creative person in our family. We didn't have a lot of toys as kids, but what we lacked in merchandise, Johnny made up for with his imagination. He was also the announcer and pitcher when we played waffle ball, the referee/player when we played basketball in our backyard, and the dealer when we played cards. Johnny graduated from college and eventually went to work as a tester on the space shuttle in Southern California. He married, moved to Florida where he worked at Cape Canaveral, and then moved to his wife Mary's hometown in western Pennsylvania. Johnny and Mary have four children—Katy, Theresa, John Jr., and Christopher.

TOMMY

My youngest brother, Tommy, is an incredibly intelligent, perceptive, and honest man. He has the type of personality that draws you in and immediately puts you at ease. A successful broker at a large financial institution, Tommy is also a tremendous golfer, hunter, fisherman, and—most importantly—husband and father. He is married to Barbara and has four children—Gena, John, Jack, and Ellen. I bet I have talked to Tommy at least once a day since 1978.

DAVID

That's me. I am the second oldest of the four wild, wonderfully rambunctious brothers. It's been said that the second child constantly tries hard to keep up with his or her older sibling, who typically gets all the attention, and that was definitely me. So far, I've been able to keep up with Michael in one area: I have two beautiful children as well, Ava and Bella.

So that's my family. We're close (even though we're spread around the country), we're loving, and we're happy. Oh, and we're also all millionaires thanks to discipline and something called investment-grade-designed life insurance.

THE DINNER TABLE

Like most large Italian-American families, we had a weekly family dinner every Sunday at 6:00 P.M. sharp, right after all our friends and relatives who had come over for the weekly Sunday-afternoon gathering left.

Looking back, I now understand that it wasn't just a family tradition that brought everyone over to my house once a week. You see, my dad—Big Mike—had achieved so much financial success that he had earned the respect of everyone in my family and the community as well. My childhood home was the family gathering place for as far back as I can remember.

Big Mike loved numbers because numbers were logical and made sense—at least to him. His mind was razor sharp, and he had an uncanny eye for detail. This basically meant he was forever studying the math behind every financial decision. One of Big Mike's favorite sayings was, "If too many pieces have to align for the deal to work, the odds are it will never happen."

I learned so many valuable things from Big Mike, but it's his "Business Commandments" that remain with me to this day. It could be because he'd repeat them over and over to us kids, just like our Sunday school teachers made us repeat the Ten Commandments. Big Mike would be working in the yard, cutting firewood or the grass, and he would just stop and lay one of those commandments on us.

It did not matter how many of us kids were around, as long as there was someone to listen. One day I was helping him out around the house, and he said, "The person who understands the math always controls the deal." I nodded my head as if I knew what he was talking about, but it wasn't until many years later that I truly understood where he was coming from.

Big Mike's knack for understanding math rubbed off on his sons, because the four of us all learned how to decipher and critique the major-league box scores of the Boston Red Sox, Celtics, Bruins, and New England Patriots before we mastered the multiplication tables.

However, it was his militant attention to detail and connect-the-dots thought process that drove my brothers and me crazy well into our adult years. We were prepared every Sunday night to hear his latest rant.

And so it was this one Sunday night that the four of us gathered around the dinner table and braced ourselves for more of the same. However, on this night, Big Mike looked devastated. He hadn't touched his favorite dinner—medium-rare cowboy steak with sweet potatoes, brown gravy, and broccoli. And my three brothers and I were just about to understand why.

Before Big Mike said something important, he always cleared his throat. And that's just what he did. A low, gravelly “ah-hem” rumbled out and then, in a voice that wavered ever so slightly, he told us that his dad, our grandfather, had suffered a massive heart attack while driving home that morning. Grandpa John was gone.

I had never known anyone who had died until my grandfather passed away that day. Big Mike did his best to describe the accident. He told us that Grandpa John had been only two blocks from his house when the crash had occurred, and that at least three other people were taken to the hospital.

Grandpa John had always been vibrant and healthy. He had loved to boast that he was “seventy-nine years young,” and that “you only get old when you start acting old.” And now Grandpa John was dead. All I remember is feeling empty and confused, as if someone punched me in the gut. Death had never been so close to me before. It had always stayed far enough away that I considered it no different than being reported absent from school or being on a long summer vacation.

Obviously, what I failed to grasp was death's permanence. Vacations ended; death didn't. I realized this when Big Mike finally stopped being stoic and

let the realization of his father's death wash over him. Tears welled up in his eyes (that he fought like hell to hold back), and eventually the enormity of the loss overcame him and he collapsed into his favorite chair, covering his grief-stricken face with those enormous, immaculately manicured hands of his. And then he mumbled, "Poor Grandma."

Grandma was Grandpa John's wife of fifty plus years and the love of his life. How was she going to live without her soul mate? I had no idea, but I knew that years earlier we'd prepared for this awful moment properly and with sober conviction and clear heads. We'd helped our family prepare a transition plan based around each generation's leaving an enduring and positive family and community financial legacy.

When I first started helping people acquire life insurance, I quickly distinguished myself by applying the same tenacious work ethic my own family had modeled so well for me. But it wasn't until I had truly achieved acute mathematical understanding of life insurance policy design that Big Mike finally approved purchasing a \$4 million life insurance policy on Grandpa John. This was ten years ago, when Grandpa John was sixty-nine.

The idea was simple. Purchase an investment-grade life insurance policy with the option to *profit* at different phases of his life, with Grandma collecting the death benefit if he died unexpectedly. An investment-grade policy, I had told Big Mike, opened the vault on the life insurance contract, delivering significant financial options to the consumer he or she may have never thought possible.

Luckily, Big Mike had used his gift for facts and figures and realized that the family would collect the \$4 million tax-free death benefit. He didn't believe the return on the premiums paid would be almost 400 percent at life expectancy—but then we all had wished Grandpa John would live a long life. However, now with his passing, his legacy would begin anew, and his life would resonate for generations to come with the addition of the \$4 million income- and estate-tax-free dollars.

When I had first presented this strategy to Big Mike, his response was exactly the same as almost everyone else I've ever talked to about it: "No, I don't need life insurance."

Look, I get it. Many people don't like or buy life insurance, and generally the ones who do don't buy enough, are underinsured, or worse, don't take the financial rewards seriously enough. And I know that talking about life insurance can be creepy. But this is what I say to people when they say they don't want to buy life insurance: "I know you don't, but . . . do you like making money?"

I'm always careful to give my response as genuinely as I possibly can, without an ounce of irony or too-clever sarcasm. My sincerity is authentic—mainly because I'm a lousy actor and I've learned the hard way that I can't sell something I don't believe in. Nor can I manipulate good, well-meaning people into taking a financial step they don't understand or just aren't emotionally ready to grasp.

But the truth is that what those people ultimately learn is this: "Live or die, you can win!"

LIVE OR DIE, YOU WIN

A lot has changed in the life insurance business since I sold my original business in 1993 and came back into it. *And, quite frankly, these changes are so radical and could have a profound effect on every American family, regardless of their worth, that I'm shocked so few people even know about it, much less understand it.* Hopefully, one day everyone will.

However, my only concern right now is that anyone taking the time and making the effort to read this book understands this unparalleled opportunity.

The wealthy are always ahead of the curve when it comes to using various financial tools and services. How do you think old money got that way? And today, the wealthy are buying investment-grade life insurance just like they would any other prized asset. It's no different to them than buying real estate or stocks and bonds on the cheap.

If you like to make a lot of money—and if you like your family to make well-informed business decisions—you need access to new information so you can make a new decision.

And those decisions begin to change when you *stop thinking of life insurance as an expense* and *start thinking of life insurance as a portfolio asset!* Again, similar to real estate or stocks, you can now buy it, hold it, gift it, generation skip it, 1035 exchange it, or even turn it into a tax-free supplemental retirement plan—all while you're still alive. Wow!

Think of buying life insurance as investing in yourself. Hasn't that always been your best investment?

But to see it that way, you truly have to shift your thinking. Buying life insurance isn't an expense; it's not another monthly bill. It's a portfolio asset.

Do you complain about the “expense” of having your money managed in mutual funds or paying accountants and money managers?

Do you complain about the “expense” of buying or investing in real estate? Well, you might! But I hope you see my point here.

This powerful asset deserves—no, it *demand*s—a place in your financial pantheon. Your portfolio, regardless of the size of your investments, should be as diversified as possible. Most portfolios have real estate, stocks, bonds, and cash, but where is the investment-grade life insurance? Nowhere or not enough.

Those in the know are repositioning their portfolios with the addition of investment-grade life insurance because, unlike real estate, stocks, bonds, and cash, it is not market correlated and has serious returns and tax benefits!

Big Mike would never have even considered buying life insurance for Grandpa John unless it could have competed and even beat their safe to moderate-risk investments. Otherwise, why buy life insurance if you could get a better tax-free return buying conservative stocks, bonds, or other investments?

Not only can life insurance compete or even beat those safe to moderate-risk investments, there's substantially less risk! How do I know this? Because, like Big Mike, I inherited a love for math. I also knew

that there was no way Big Mike would buy anything without seriously crunching the numbers and that Grandpa John had a real disdain for the whole concept of life insurance.

So I worked out a formula that proved how tax-free life insurance benefits beat safe to moderate-risk investments in their portfolios, both during and after Grandpa John's lifetime.

In other words, I showed them how to make money with life insurance while they were alive, and how their beneficiaries collect an even higher death benefit after they died.

If you're keeping score at home, that's Win, Win, Win.

Win for everyone involved.

Know any other investments like that?

Now even though the following is a little, um, tacky (I prefer colorful), I still find it effective, even if it does cross the line on sensibility or just good manners.

If we are all going to die someday, why do it for FREE?

I mean, really, why?

As far as I'm concerned, it's incredibly tacky *not to* ask this question.

So let's ask it.

Could Grandpa John have received a better return on his money buying a life insurance policy on himself than he did on investing "safely" in United States Treasuries paying 1–3 percent, corporate bonds around 5 percent, and even his portfolio of stocks, which declined more than 50 percent in the last downturn?

Grandpa John had proudly bragged to me that his stocks were coming back. In fact, they had bounced back 50 percent. I didn't have the heart

to tell Grandpa John that he'd still be down \$250,000, or 25 percent, even with that impressive bounce-back. You see, he needed to return 100 percent just to break even on losing 50 percent.

Confusing? Well let's break it down to simple numbers.

\$1 million minus 50% = \$500,000

\$500,000 plus 50% = \$750,000

Summary: a loss of \$250,000 from the starting point of \$1 million.

LIFE INSURANCE: THE NEW ASSET CLASS

The proposal I made was simple: buy three policies.

1. A policy on Grandpa John's life,
2. A policy on Grandma's life (I'll share in the next chapter), and
3. A combined policy on Grandpa John and Grandma's lives.

First things first, let's talk about #1, the policy on Grandpa John.

"What's the best investment you've ever made?" I asked Grandpa John one day when I was just beginning my career. Without hesitating, he responded that betting/investing on/in himself was by far his best bet. His logic was simple: that's how he had made the most money.

I'll never forget what Grandpa John whispered in my ear after one of our late-night business sessions with Big Mike: "No one cares about you and your money more than you do. When I opened my first garage, no one believed in me or my vision, no one invested a single dime other than me, and no bank would bail me out if I didn't succeed."

"Do you think that's why you made it—because you didn't have any other alternative?" I asked.

"Oh, I had choices. We all have them. I could've managed someone else's shop or, who knows, I might've ended up selling cars instead of

fixing them. The point is, I didn't much care for working for other people and making them all sorts of money while I lived paycheck to paycheck. So I made up my mind to do whatever it took to become an owner, not just an employee. I bet on myself, and I became my own man, the architect of my destiny."

I couldn't have said it better. Thanks to Grandpa John's timeless advice and priceless life lesson, I knew what I had to do. I didn't know exactly how I was going to do it, but the one thing I did know was that it was time. Time to let the mainstream know that life insurance was now designed just like any other asset. Why should only the wealthy and elite enjoy the amazing benefits of investment-grade life insurance?

Somehow, I had to transform an old way of thinking into a new way of thinking—and then I had to change people's behavior. There was only one way either of those things was going to be possible: make people a lot of money!

And so I began crafting a formula for a new business model that sought to transform not only perception but behavior as well. I had to prove that this life insurance strategy was one of the safest propositions one could find.

When I presented this strategy to Grandpa John, his eyes widened and he said, "David, why would I buy life insurance? Life's been good to me. I've been blessed and worked hard and succeeded beyond my wildest dreams. Successful people don't buy life insurance." He paused. "Do they?"

I had seen Grandpa John's inquisitive look on many other faces, and I knew exactly what I had to do to get the lightbulb to go on inside his head. One of the most important things I tell young people starting out in sales, regardless of what they're selling, is that "a confused mind says no."

I needed to turn Grandpa John's confusion into crystal-clear clarity. First, that meant reframing the very concept of life insurance itself. I had to get him to see it as an asset in his portfolio and not as another monthly bill.

I looked directly at Grandpa John and said, "Grandpa John, do you mind if I ask you a few questions?"

“Fire away!” he answered.

“How much life insurance would you buy if life insurance had no cost?”

“Um, I guess I’d get as much as they would sell me.”

“Okay, great. So Grandpa John, how much life insurance do you currently own?”

“I have a \$1 million policy I bought years and years ago.”

“Why do you only own a \$1 million policy when you just told me you would buy the maximum they would sell you?”

“Because I have to pay for it,” he said, chuckling.

“So, Grandpa John, if I understand you correctly, you really like life insurance, you just don’t like paying for it, correct?”

“Ah, I never thought of it that way, but I guess you’re right.”

“Grandpa John, if I could show you how to buy life insurance at a net-zero cost or even profit from it, how much would you buy?”

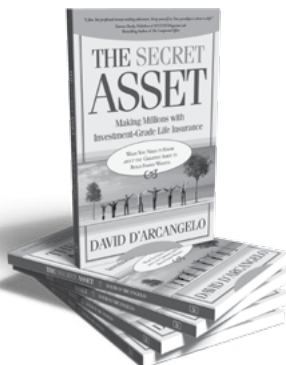
“Like I said, I’d buy as much as they would sell me.”

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A master financial strategist and former chairman and president of two American Stock Exchange companies, he has performed at both corporate and national events, sharing the stage with such well-known speakers as Zig Ziglar, Mark Victor Hansen, Anthony Robbins, Barbara Bush, and General Norman Schwarzkopf. David received a BA in economics/business administration from the University of Redlands, where he was a former All-American football player and inductee into the University's Hall of Fame.

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