Why Dave Ramsey Is Wrong About Whole Life Insurance

by Robert P. Murphy

Radio talk show host Dave Ramsey has made a national name for himself guiding people out of debt. I occasionally listen to his show (Ramsey and I both live in Nashville), and I applaud much of what he tells his listeners. In particular, Ramsey stresses the importance of having a specific budget and communicating with one’s spouse about money. Furthermore, as a Christian, I also like that Ramsey ends each show by saying that ultimately, the only path to financial peace is to walk with the Prince of Peace. (Funny tidbit: I discovered months after attending that Ramsey and I actually went to the same church!)

Unfortunately, as many readers of the Lara-Murphy Report know all too well, Dave Ramsey really has it out for whole life insurance. It’s not merely that he prefers term life. No, Ramsey is quite adamant that anybody buying a whole life policy is a fool, and anybody selling it to him is either a liar or an idiot. In this article I want to explain why Ramsey quite simply doesn’t know what he’s talking about, when he criticizes whole life.

Ramsey’s Case Against Cash Value Insurance, Including Whole Life

To do Mr. Ramsey justice, let’s quote extensively from a post from his website entitled, “The Truth About Life Insurance”:

**Myth:** Cash value life insurance, like whole life, will help me retire wealthy.

**Truth:** Cash value life Insurance is one of the worst financial products available.

Sadly, over 70% of the life insurance policies sold today are cash value policies. A *cash value policy is an insurance product that packages insurance and savings together. Do not invest money in life insurance; the returns are horrible.* Your insurance person will show you wonderful projections, but none of these policies perform as projected.

**Example of Cash Value**

If a 30-year-old man has $100 per month to spend on life insurance and shops the top five cash value companies, he will find he can purchase an average of $125,000 in insurance for his family. The pitch is to get a policy that will build up savings for retirement, which is what a cash value policy does. However, if this same guy purchases 20-year-level term insurance with coverage of $125,000, the cost will be only $7 per month, not $100.

WOW! If he goes with the cash value option, the other $93 per month should be in savings, right? Well, not really; you see, there are expenses.

**Expenses? How much?**

**All of the $93 per month disappears in commissions and expenses for the first three years.** After that, the return will average 2.6% per year for whole life, 4.2% for universal life, and 7.4% for the new-and-improved variable life policy that includes mutual funds, according to *Consumer Federation of America, Kiplinger’s Personal Finance* and *Fortune* magazines. The same mutual funds outside of the policy average 12%.
The Hidden Catch

Worse yet, with whole life and universal life, the savings you finally build up after being ripped off for years don’t go to your family upon your death. The only benefit paid to your family is the face value of the policy, the $125,000 in our example.

The truth is that you would be better off to get the $7 term policy and...put the extra $93 in a cookie jar! At least after three years you would have $3,000, and when you died your family would get your savings.

A Better Plan

If you follow my Total Money Makeover plan, you will begin investing well. Then, when you are 57 years old and the kids are grown and gone, the house is paid for, and you have $700,000 in mutual funds, you’ll become self-insured. That means when your 20-year term is up, you shouldn’t need life insurance at all—because with no kids to feed, no house payment and $700,000, your spouse will just have to suffer through if you die without insurance.

Don’t do cash value insurance! Buy term and invest the difference. [Bold and italics in original.]

To repeat, I am glad that Dave Ramsey is out there on the airwaves, giving his listeners a kick in the pants to get serious about their financial situations, start earning more income, and paying off credit cards. However, I can’t beat around the bush when it comes to life insurance: Ramsey’s perspective—as illustrated not just in the above excerpt but whenever he discusses the issue on his popular radio show—is based on ignorance. Ramsey’s claims that I’ve quoted above are entirely misleading, and do not even begin to properly compare a whole life policy with other financial vehicles.

The fundamental problem with Ramsey’s analysis is that he doesn’t treat interest rates properly. When he compares the “return” on permanent life insurance products (such as whole life, universal life, and variable life) with a standard mutual fund that he says will average 12%, he makes two main mistakes. The first problem is that Ramsey grossly exaggerates how real-world mutual funds have behaved. The second problem is that he doesn’t realize the correct way to account for a “rate of return” on an insurance policy. If investors want to see the rate of return in insurance versus other financial instruments, such a calculation can be done; I’ll sketch the outline below. But my point is that Dave Ramsey’s glib discussion above doesn’t even set the comparison up correctly.

Ramsey’s First Problem: 12% Returns on Mutual Funds?!

Regarding the first problem, Ramsey’s figure of 12% returns on a mutual fund is an unfair benchmark to hold against a whole life policy. Ramsey doesn’t specify exactly what kind of mutual fund he is considering, but for returns that high they must be heavily equity-based. Now Ramsey’s discussion of whole versus term insurance was posted at his website in October 25, 2010. At that point, the S&P 500 stood at 1198.35. Exactly 20 years earlier, it stood at 312.60. That works out to only 7 percent annualized growth, not the 12 percent Ramsey cited. Now it’s true, looking merely at movements in the level of the S&P doesn’t capture dividend earnings, but our calculation also doesn’t include a mutual fund’s fees or tax considerations. We’re just trying to get a rough ballpark of whether the claims of mutual fund performance really hold up, when the gurus tout “buy term and invest the difference” as a no-brainer.

There’s another major problem with Ramsey’s figure for mutual funds—it ignores the two crashes they experienced during the last 20-year window. This is something that does not happen with a whole life policy, where the cash value can never go down, per the contract. To see how this is relevant, suppose someone had bought into the stock market only 15 years before Ramsey’s post, i.e. in October 1995. The S&P’s annualized return over this 15-year period was a hair under 5 percent, a far cry from the 12 percent figure Ramsey cited. And of course, if someone had had the misfortune of “buying term, and investing the difference” in an equity-based mutual fund in the years 1999 or 2000, then his retirement savings would be reeling from the fact that the stock market is currently lower than when he bought in, even though
more than a decade has passed.

If you look at a graph of the stock market over a 20- or 30-year stretch, you will see that a major reason that the “rate of return” on a typical whole life policy can be relatively lower than returns on other financial products is that whole life is very conservative. In other words, there is less risk in a whole life policy.

The cash value in a whole policy can never go down from one year to the next, and it has a built-in (admittedly very conservative) guaranteed growth rate. Do Dave Ramsey’s mutual funds give the same deal, on top of their alleged 12% annual rates of return?

Ramsey’s Second Problem: Ignoring Value of Life Insurance Coverage When Calculating “Internal Rate of Return”

Now let’s move on to the subtler problem: Ramsey’s handling of the “return” on whole life insurance policies. What he has in mind is the internal rate of return (IRR) as computed by the surrender cash values in relation to the gross premium payments. The issue is not so much whether Ramsey’s choice of 2.6% is fair or not—many insurance agents can show ways of designing whole life policies with far better results—especially in light of his very generous figure of 12% for mutual funds. Rather, the problem here is that Ramsey’s 2.6% figure is meaningless when trying to compare a whole life policy to a non-insurance financial product, such as a mutual fund.

First let’s see exactly what people (like Ramsey) have in mind when computing the “return” on a whole life policy. They are looking at the surrender cash value available for an insurance policy at various years into the policy, and computing what the average, annualized, compounded interest rate would have to be on the premium payments in order to cause a savings account balance to have that same value, that many years into the plan. In other words, when people talk about the “internal rate of return” on whole life, they are asking what the constant percentage return on a savings account would need to be, if instead of paying your premiums on your whole life policy, instead you took that same cash flow and contributed it into your savings account, so that at the end of 3 years, 5 years, 10 years, etc., the savings account balance was exactly the same level as your cash value in your whole life policy. Using this approach typically shows abysmal numbers for whole life early on, but then they get decent several decades into the policy.

There is a huge problem with this approach: These calculations of internal rate of return (IRR) are virtually meaningless, because they overlook the insurance dimension of the policy. Inasmuch as we are talking about a life insurance policy, this seems to be an important omission!

To see why this is important, suppose the policyholder dies in the first year after taking out his whole life policy. Maybe he’s put in (say) $12,000, and within the first year his beneficiary gets a check for (say) $1 million. That is an annual rate of return of more than 10,000%. Not too many mutual funds offer such returns.

Correctly Calculating Rates of Return on Whole Life Versus Other Financial Products

Now to be fair, Ramsey thought he was comparing apples to apples, by stipulating that someone buy a term policy with the same death benefit, rather than buying a whole life policy. Since the term policy’s premiums are so much lower, Ramsey was merely recommending “investing the difference”—i.e. the savings because of the cheaper premium—into a mutual fund.

But this still isn’t right; it’s not true that we’re holding “the total insurance component” constant, by having one strategy buy whole life, and the other taking out a 20-year term policy with the same death benefit. A huge reason for the higher premium on whole life versus 20-year term is that a whole life policy is perpetually renewable. If, say, a 45-year old man buys a whole life policy with a $1 million death benefit that matures at age 120, then to mimic that Dave Ramsey would need to look up the premium for a 75-year term policy, not a 20-year term policy. Such a thing doesn’t even exist, and if it did, there wouldn’t be much left of a “difference” between the two premiums to invest
in a mutual fund.

To correctly analyze the year-to-year rates of return on the two strategies, we need to correctly assess the “market value” of life insurance coverage. Obviously it would be wrong to say that a 45-year old man with a $1 million death benefit whole life policy has “$1 million worth” of life insurance, if we are comparing it to holdings of bonds or other financial assets. This is because the 45-year-old probably won’t die that year, meaning he probably won’t see a dime from the insurance company. However, there is a small chance—0.46%, according to the 1980 CSO Mortality Table—that he will die that year, in which case his beneficiary receives $1 million.

The sensible way to appraise the death coverage is to multiply the two values, i.e. take the $1 million death benefit times the likelihood of death, which yields a value of $4,600. That is the actuarially fair market value of our hypothetical man’s $1 million life insurance coverage (whether whole life or term), during his 45th year. (In reality it’s actually less than that, since the 1980 CSO Mortality Table is pessimistic. But I’m just making a theoretical point here, about how you’d go about correctly calculating the rate of return on someone’s total wealth, who holds a life insurance policy.)

**Insurance Company Keeps the Cash Value When I Die?!!**

Before continuing, there is one wrinkle: As Ramsey pointed out, a whole life policy’s cash value is wrapped into the death benefit. In other words, if the insured dies, the insurance company just sends a check for the death benefit. This makes perfect sense, if we return to the home mortgage analogy: When making monthly mortgage payments, the homeowner gains equity by knocking down the remaining principal on the loan. When the mortgage is finally cleared, the homeowner receives the deed free and clear from the bank. He wouldn’t expect the bank to then give him “all of my equity in the house” on top of the deed! That would obviously be misconstruing what “equity in the house” means.

The same holds for the cash value on an insurance policy. It reflects the present discounted market value of the expected death benefit and future premium payments. As time passes, this calculated value increases. But if the insured should suddenly die, then those projections are collapsed into the immediate payment of $1 million. The rising cash value was merely the (actuarially discounted) anticipation of the eventual $1 million payment, offset by the necessary premium outflows to keep the policy in force. The cash value isn’t something laid on top of the death benefit.

So although there is nothing sinister or duplicitous in the insurance company’s behavior, Ramsey is correct that with the strategy of “buy term and invest the difference,” in the case of death the $1 million benefit check supplements the mutual fund’s value at that point. The way we can handle this complication is to reduce the effective market value of the whole life policy’s death coverage. Specifically, we can say that in any given year, rather than the whole life policy offering coverage of $1 million, it really only offers $1 million minus the policy’s cash value at that time. In other words, the term policy—while it’s in force—offers the full $1 million in pure coverage, whereas the whole life policy only offers the Net Amount at Risk in coverage in any given year, on top of the cash value at that point.

For a specific example, suppose Hank is a 45-year old with a $1 million whole life policy with a cash value of $50,000, while his twin brother Tim has a $1 million term policy with $50,000 in a mutual fund. If we wanted to value the death coverage itself, we could say that Tim holds assets of ($1 million x 0.46%) + $50,000 = $4,600 + $50,000 = $54,600. But Hank, with his whole life policy, using this approach would only have ($950,000 x 0.46%) + $50,000 = $4,370 + $50,000 = $54,370. Hank gets “dinged” by $230 because if he happens to die that year, the insurance company will only send his beneficiary a check for $1 million, making him “lose” the $50,000 in accumulated cash value. In contrast, Tim’s beneficiary will get the full $1 million death benefit, plus the $50,000 mutual fund balance.

A knowledgeable financial advisor should be able to
construct a proper accounting of “rates of returns” broken down by year, for a man using whole life versus an identical man “buying term and investing the difference.” Depending on the particular insurance quotes used, the results will make the two approaches far more comparable than the usual tables show—in which whole life gets blown out of the water.

A particularly interesting feature is that in year 21 of the two strategies, the correctly calculated “total rate of return” for the man using term insurance will be very low (possibly even negative), because his life insurance coverage will drop from (say) $1 million down to $0. Multiplied through by his probability of death that year, the “fair market value” of this coverage could be significant, more than offsetting the appreciation in his mutual fund versus the gain in the cash value in his rival’s whole life policy that year.

**Conclusion**

Nelson Nash often tells his audience that using whole life for banking purposes “isn’t about interest rates.” Sometimes critics think that Nelson is implicitly admitting that whole life is “a bad deal.” On the contrary, the reason it’s dangerous to think in terms of “rates of return”—and to compare the internal rate of return on a standard whole life illustration with projections for an equity-based mutual fund—is that an insurance contract is a complicated animal. Just properly setting up the apples to apples comparison involves a deep understanding of permanent life insurance, of the kind that most analysts—including Dave Ramsey—don’t begin to appreciate.

**Bibliography**


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How the Fed Grows Government

MISES DAILY -- DECEMBER 10, 2014 -- Hunter Hastings

We are told that elections are important, but the most powerful state institution, the central bank, is totally out of reach of the voter.

Ludwig von Mises viewed democracy as a utilitarian concept. It was the form of political organization that allowed the majority to change the government without violent revolution. In *Socialism*, Mises writes “This it achieves by making the organs of the state legally dependent on the will of the majority of the moment.” He identified this form of political process as an essential enabler of capitalism and market exchange.

Mises extended this concept of utilitarian democracy to citizens’ control of the budget of the state, which they achieve by voting for the level of taxation that they deem to be appropriate. Otherwise, “if it is unnecessary to adjust the amount of expenditure to the means available, there is no limit to the spending of the great god State.” (*Planning for Freedom*, p. 90).

Today, this utilitarian function of democracy, and the concept of citizens’ limitations on government mission and government spending, has been taken away by the state via the creation and subsequent actions of central banks. The state carefully created a central bank that is independent of the voters and unaffected by the choices citizens express via the institutions of democracy. In the case of the US Federal Reserve, for example, the Board of Governors state that the Federal Reserve System "is considered an independent central bank because its monetary policy decisions do not have to be approved by the President or anyone else in the executive or legislative branches of government, it does not receive funding appropriated by the Congress, and the terms of the members of the Board of Governors span multiple presidential and congressional terms."

Independent from Voters, But Not from Politicians

Importantly, the central bank is independent of the citizens in this way, but, in practice, not independent of politicians. Alan Greenspan, former chairman of the Federal Reserve, is quoted as asserting, “I never said the central bank is independent,” alluding to similar statements in two books he has written, and pointing to one-sided political pressure significantly limiting the FOMC’s range of discretion.

This institutionally independent, but politically directed central bank spearheads a process that enables largely unlimited government spending. It expands credit and enables fiat money, which is produced without practical limitation. Fiat money enables government to issue debt, which, at least so far, also has been pursued without restraint. The unlimited government debt enables unrestrained growth in government spending. The citizenry has no power to change this through any voting mechanism.

Thus, the state is set free from having to collect tax revenue before it can spend, and as Mises explained, in such a case, there is no limitation on government at all:

> The government has but one source of revenue — taxes. No taxation is legal without parliamentary consent. But if the government has other sources of income it can free itself from this control.

In other words, when faced with the possibility of voter reprisals, members of Congress are reluctant to raise taxes. But if government spending no longer necessitates taxes, government becomes much more free to spend.

Without restraints on government spending, there are no restraints on government’s mission, or on the growth in the bureaucracy that administers the spending. The result is a continuous increase in regulations, and a continuous expansion of state power.

Has The Central Bank Limited Itself?

In the one hundred years since the creation of the Federal Reserve in 1913, US federal government spending has grown from $15.9 billion to a budgeted $3,778 billion in 2014 (a number we now refer to as $3.8 trillion to make the numerator seem less egregious). Spending as a percentage of GDP has
advanced from 7.5 percent to 41.6 percent over the same period. A comparison of regulation growth is more difficult, but over 80,000 pages are published in the Federal Register annually today, versus less than 5,000 annually in 1936.

The evidence, therefore, is that voting makes no difference to this lava flow of spending and regulation. Whatever the will of the majority of the moment, government spending and government power will continue to expand, with consequent reduction in the economic growth that is the primary goal of the society that is being governed.

John Locke opined that, when governments “act contrary to the end for which they were constituted,” they are at a “state of war” with the citizens, and resistance is lawful. (Two Treatises of Government, p. 74). The theory and practice of unhampered markets and individual liberty are particularly relevant at election time.

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Thinkers Who Challenged the State

DECEMBER 13, 2014 - David Gordon

The state is a gang of robbers.

This essay is adapted from David Gordon’s talk at the Costa Mesa Mises Circle.

I’m glad to see so many people here who are open-minded to the notion of society without the state. Unfortunately, some people aren’t like you. These people will read about how bad the government is and may come to the conclusion that the government should be limited. But they reject out of hand the idea that we could do without the state altogether. They put one in mind of the man who read so much about how bad smoking is for your health that he gave up reading.

In a short talk, I can’t offer a comprehensive history of thought about society without the state. Instead, I will concentrate on a few highlights. I’d like to begin with what seems to me a curious paradox in the history of political thought. If you ask people today about society without the state, they will often respond, “it’s a nice idea, but it just wouldn’t work. It would be great if we could rely on peaceful cooperation to solve our problems, but it is unrealistic to think this is possible. We can’t get along without the state.”

The paradox that I mentioned is this: In ancient political thought, we sometimes find the opposite of this reaction: anarchism could work, but it wouldn’t be a good idea. Book II of Plato’s Republic, for example, describes a small society of people who produce goods and exchange what they produce with others. But this society is described in unflattering terms as the “City of Pigs.” The main problem with it is that people might get too greedy. We need a special guardian class to rein people in. With their superior reason, the guardians will prevent people from being dominated by their undue desire for wealth.

Aristotle and Plato often don’t agree, but in Book 1 of the Politics, Aristotle also describes a society that functions without a state. He talks about families who unite into a community for production and exchange. Like Plato, Aristotle doesn’t want to stop there. But unlike Plato, who says that we need the state to prevent people from getting out of hand, Aristotle has a different reason for bringing in the state. He says that the highest life for most people is to engage in public deliberation about the affairs of the city. The association of families engaged in production must be capped by a political regime, in which public deliberation can take place. He has a famous sentence about this: “man is a political animal.” Actually political deliberation isn’t the highest life absolutely. The highest life is the life of the philosopher, but this is available only to a few. For most people, political deliberation in the city is essential to the good life, and a community based on economic interest won’t provide this.

There were thinkers in antiquity who, unlike Plato and Aristotle, rejected the state. For example, the third century Stoic philosopher, Zeno of Citium, wrote an
anti-statist book that is usually referred to as Zeno’s Republic. Unfortunately, the book hasn’t survived, and we know about what was in it only through quotations from others. But, once more, what I want to stress is that for Plato and Aristotle, anarchism might work, but it wouldn’t be a good idea.

I want to jump from Plato and Aristotle to a much later writer. I’m omitting all discussion of the Middle Ages and Renaissance: as I said before, this talk is not intended as a historical survey. The thinker I want to discuss is the great French classical liberal Frédéric Bastiat (1801–1850), who wrote a pamphlet, The Law, that was published in June, 1850, the year of his death. By the way, this book made a great impression on me when I read it in junior high more than fifty years ago, and it continues to impress me. Bastiat challenged the fundamental assumption behind the rejection of anarchism in ancient political thought. This is the notion that we need to have a class above the mass of the people, who need to be molded by those of superior wisdom. This is clear in Plato, with his class of guardians; but even in Aristotle, the citizens who deliberate on the good of the city rule over those in the city who aren’t citizens. Bastiat asked, why should we assume this? Where did the supposed superior class get its “wisdom” and what gives this class the right to rule over the rest of us?

Bastiat raised a point that could be taken in an anarchist direction, although he didn’t apply it that way himself: If we start with the premise that each person has the rights to life, liberty, and property, then any power that the state has can come only if people agree to give it this power. The crucial point Bastiat makes is that even if people agree to establish a state, it cannot acquire new rights that individuals don’t have. The state couldn’t acquire additional rights. The anarchist implication of this point is that if individuals don’t have the right to monopolize protective services in a given territory, neither does the state. The road to anarchism is clear.

Bastiat’s argument destroys the intellectual basis of the state. We don’t need to have a superior group of the wise rule over us, and such a group has no right to do so. But if we accept this argument, we then have to face the question: why do states exist?

I want to mention two thinkers who help us answer this question, Franz Oppenheimer (1863–1943) and his disciple Albert Jay Nock (1870–1945). Oppenheimer was a German sociologist who went into exile after Hitler came to power in 1933. He taught in the United States and died in Los Angeles, not very far away from where we are now. He wrote The State, which was published in 1908 and translated into English in 1915. Nock wrote Our Enemy the State in 1935.

Oppenheimer and Nock said that there were two ways to acquire wealth; one was peaceful production and trade. This they called the economic means. Unfortunately, there is another way as well to get wealth. This is to seize wealth from those who have produced it. They called this the political means. They define the state as the organization of the political means. On this view, the state is a predatory organization, a gang of robbers.

This is a very interesting theory, but how do we know it’s true? History isn’t an a priori discipline. We can’t deduce just by using logic that certain particular events had to occur. The only way to show that Oppenheimer and Nock were on the right track is through historical investigation.

This is just what Oppenheimer and Nock did: they provided historical examples to support their theory of the state. Oppenheimer made a careful study of anthropological literature. Every state he was able to find described in this literature began as a predatory group. He went through the ancient world as well, and carried his study through the Middle Ages down to his own time. The state always was predatory.

Nock in his book summarized Oppenheimer’s theory and applied it to American history. The American state, like all others, was predatory. Nock strongly supported the view of Charles A. Beard, in his famous book An Economic Interpretation of the Constitution of the United States (1913). According to Beard, the Constitution was written to advance the economic interests of a particular group of wealthy people. The American state was a predatory gang, just like all other states.
I want to make one point about the logical structure of Oppenheimer and Nock’s argument. When I discussed this argument in one of my online courses for the Mises Academy, a student raised an objection. He asked, haven’t there been historical examples of stateless societies? He was right: there certainly have been, but this doesn’t refute Oppenheimer and Nock. Their thesis is that every state is predatory. To refute this, you need to come up with a state that wasn’t predatory. It isn’t part of their thesis that every society has a state. Examples of societies without a state would be welcome news to Oppenheimer and Nock, because this would give us some reason to think that we could get along without a state as well.

Bastiat challenged the ancient teaching that people needed to be ruled by a superior elite. Oppenheimer and Nock showed that the state is a gang of robbers. The views of these thinkers are very helpful in combating what Nietzsche calls “that coldest of all cold monsters, the state.”

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To “Give Back,” Add Real Value

MISES DAILY - DECEMBER 29, 2014 - Peter St. Onge

A recent article in the left-leaning Independent argued that student volunteers are useless. In one project putting UK college students to work building a local school, the work was so awful that local Ugandan masons "dismantled the structurally unsound work [the students] had done — relaying bricks and resetting timbers whilst the students slept."

"Giving back" is big these days, but how can we know if we’re really making a contribution, or if we, like those students, are just tourists who need cleaning up after.

Economics, fortunately, gives us a very elegant answer: The best way to "give back" is to earn honest money and lots of it.

I teach in a business school. As horrifying as this might seem, one of the biggest debates among business academics is social responsibility. The terms of the debate are familiar: the lefties, who dominate even business-schools, want business to do charity as penance for their wicked money-making. Meanwhile, the "pro-business" view comes from Adam Smith: greed, for lack of a better word, is good. Because the Invisible Hand turns self-interest into social good.

Of course, we can go further: the money you earn isn’t just morally neutralized by the Invisible Hand. Rather, the money you earn actually indicates that you’ve contributed to the world. More money means more contribution. In Man, Economy and State, Rothbard points out that a voluntary price puts a floor on the value created. Higher price received means more value created for others.

If somebody is willing to pay Kobe Bryant $300,000 per game, that means Bryant creates at least $300k of value per game. Kobe may well be an excellent computer programmer or veterinarian, but $100k per hour is probably his highest contribution. He can sleep easy knowing that he "gives back" plenty simply by playing basketball on TV.

The logic is the same for us mortals: so long as your salary is honestly earned, chasing the highest pay is precisely how you make your highest contribution to society. By "honestly" here I mean obtained without coercion. So no force, no fraud. This means the mafia and government are, of course, out — salaries paid for hijacking trucks, witness intimidation, or public schooling may simply reflect the ability of your employer to extort money from others.

Among “honest” livings, then, the data is clear on the best way to “give back” to society: learn math. Starting with petroleum engineering, paying $103,000 per year for a bachelor's degree, fourteen of the highest twenty starting salaries are engineering. After petroleum, top are chemical, nuclear, computer, and electrical. The rest are still math-heavy: actuarial mathematics, computer science, information systems, statistics, and everybody's favorite dismal science, economics.
Of course, not all of us are good at math. Perhaps your education was heavy on recycling milk cartons or learning union songs. So many cartons, so many songs just doesn’t leave time to develop the skills that actually help others.

Well, there's still hope: Khan Academy, Udacity, and Udemy have cheap or free math courses, nicely done and easy on the brain. Some parents have their kids on calculus at age 8 at Khan Academy, which is forbidden in public schools. And, of course, Mises Academy has economics; the Austrian flavor, which is much recommended over the store-brand.

Still, not everybody wants to learn math. And we all deserve the opportunity to give back. So the highest-paid non-math jobs are: nursing ($55k starting), construction management ($52k), finance (less math than it seems), and business (almost no math). Then, of course, there’s the biggie: entrepreneurship. Here you write the rules, so you earn as much as you’re willing to put in.

So that's the heroes. Let's take a moment for the selfish reactionaries. Those who are unwilling to give back. Who just want to sponge off the petroleum engineers and actuarial mathematicians of the world, contributing little to the world's problems.

No surprise here. The least-valued courses of study include: journalism, drama, music, anthropology, psychology, English. All pay so little that you're really not contributing much of anything. Now, it's not a crime to be selfish: a free society means you're free to read French deconstructionists or to make pretty collages. Instead of giving back to society by learning calculus or making pretty Gantt diagrams for R&D.

Still, it's sad that so many just don't have the social awareness to go out and learn to differentiate a function. Instead they sit around writing thesaurus-busting jeremiads about the world's unsolvable problems that they, themselves, won’t get off the couch to solve.

Of course, then there's the coercive professions: bureaucrats, prison guards, public teachers. Since their salaries are seized at gunpoint and distributed by government unions, we can’t actually know if they contribute anything at all. Perhaps they do, perhaps they don’t, putting us back at the Ugandan stonemason problem.

Bottom line for the student of any age: if you want to make a difference to society, first learn to differentiate a function. If you can't do that, at least look for something honest that earns a lot of money. Only then can you be sure you're really helping others.

Peter St. Onge is an assistant professor at Taiwan's Fengjia University College of Business. He blogs at Profits of Chaos....

Comment by R. Nelson Nash – These three articles all came from the Mises Institute and they demonstrate the necessity of the work that this organization does in providing thought processes that determine our future. I urge you to become a member of this organization and support its works by sharing their message with all that you work with.

Lord Maynard Keynes was wrong about most of what he espoused – but in this quotation he was absolutely correct:

“The ideas of economists and political philosophers, both when they are right and when they are wrong are more powerful than is commonly understood. Indeed, the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually slaves of some defunct economist.” —John Maynard Keynes.

As a result of Keynesian thought, the entire world is in the worst financial condition of all times. It didn’t happen suddenly. It came upon the world gradually. Continuation of his ideas will end in disaster. The thought processes of mankind must be changed to embrace those of the Austrian school of thought. The Mises Institute at Auburn, AL is “the world headquarters” of Austrian thinking today.

p.s. – To start off 2015, I urge you to read these three articles at least once per week for the entire month of January. Happy New Year!!
Welcome the newest IBC Practitioners
https://www.infinitebanking.org/finder/

There are no new IBC Practitioners joining the Authorized Infinite Banking Concepts Practitioners team this month. You can view the entire practitioner listing on our website using the Practitioner Finder.

Nelson’s Newly Added Book Recommendations
https://infinitebanking.org/reading-list/

From Aristocracy to Monarchy to Democracy by Hans-Hermann Hoppe

The Rise and Fall of Society by Frank Chodorov

Apostle of Peace: The Radical Mind of Leonard Read by Gary Galles

Nelson’s Favorite Quotes

Instead of cursing evil, stay out of the market for it; the evil will cease to the extent we cease patronizing it.
- Leonard E. Read

The ultimate result of shielding men from the effects of folly is to fill the world with fools.
- Herbert Spencer

He who refuses to embrace a unique opportunity loses the prize as surely as if he had failed.
- William James

IBC Practitioner’s 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.

The IBC Practitioner has signed the IBC Practitioner’s Agreement with the IBI that specifies that he or she is a financial professional who wishes to advertise his status as an IBC Practitioner, and acknowledges possession of the proper licensing and other legal requirements to practice in his industry. The IBC Practitioner agrees for those clients who want an IBC policy, he will design it according to certain characteristics to ensure that these specific clients are getting a “Nelson Nash” policy, as described in his books and seminars. If an IBC Practitioner is dealing with a client who asks for an “IBC,” “Nelson Nash,” “privatized banking,” or “banking” policy, or if the Practitioner recommends such a policy to the client, and/or if the client has come to the Practitioner by referral from his listing at the IBI website, then and only then the Practitioner must be sure to set this particular client up with a dividend-paying, whole life policy.
The IBC PRACTITIONERS’ THINK TANK

Members, you are not going to want to miss this year's annual Think Tank Conference! Why? Because it returns to Nelson Nash's innovative foundational message that started it all. I know that it's hard to believe, but Nelson will not be teaching forever. This year’s Think Tank is designed around our most cherished resource so that you will have maximum exposure to his invaluable wisdom. He will teach, and share like never before. I promise that you will see Nelson discussing the key elements from *Becoming Your Own Banker* in a way that you haven't heard before. The Think Tank is held in Birmingham, Alabama, on February 5th and 6th. Registration cost is only $400.

The IBC Practitioner Think Tank is a closed event; only active IBC Practitioner Members, and selected insurance company home office and regional sales personnel are invited to attend. IBC Practitioner membership is defined as those students who have completed the IBC Practitioner Course of instruction, and have joined the 12-month IBC Practitioner Membership, and have remained a member in good standing.

*Agenda - 5 February*
- 9:00 am - Doors open for packet pick-up
- 10:00 am - Start event - General Session
- 12:00 pm - Hosted Lunch
- 1:00 pm - 5:00 pm - Live IBC Workshop featuring Nelson Nash, Dr Robert Murphy, and Carlos Lara. *This 4 hour event will be open to the general public as a separate ticketed event.*
- 5:30 pm - Hosted Reception
- 6:30 pm - Hosted Dinner

*Agenda - 6 February*
- 7:00 am - Hosted Breakfast
- 8:00 am - General Session
- 12:00 pm - Hosted lunch
- 1:00 pm - General Session
- 4:00 pm - Think Tank Ends

**Speakers:**
- Nelson Nash
- Mark Benson
- JJ Childers
- Mike Everett
- Mary Jo Irmen
- Carlos Lara
- Jayson Lowe
- Russ Morgan
- John Moriarty
- Robert Murphy
- James Neathery
- Jim Oliver
- David Stearns

**Subjects include:**
- Client: "Am I too old for IBC?"
- BYOB - Equipment Financing
- BYOB - Expanding the System to Accommodate All Income
- IBC and Estate Planning
- Neuroeconomics
- Farming Without the Bank
- IBC for Canadians
- IBC Workshop

If you are a financial services industry professional, want to learn more about the IBC Practitioners’ Program and are interested in attending this year’s think tank, it’s not to late to enroll in the program and earn IBC Practitioner Membership status. Follow this link to learn how:
http://www.infinitebanking.org/practitioners-program or call David Stearns @ 205-276-2977

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