VAULT AIS
WEALTH PLANNING

SECURED BY THE AIS TRIANGLE

Investing Vs Saving

By Michael G Isom - 2020
Read Time 9.5 Min.

Investing is not saving. Let me say that again; Investing - is NOT - saving!

Said like this, most people will respond: *"That is overly obvious."*

Then, they will continue to "save" for their retirement in a 401k or an IRA. Or "save" for their child's college tuition in a Coverdell or 529 plan…

So, what are you doing, saving or investing?

I ask because in 2005-2006 if you asked that question to me, I would tell you that over **$4 million of my family's "savings" was in an "investment"**. I had not yet learned the difference.

By the end of 2007, **that difference cost my entire life's savings**. I lost my homes, cars, boats, social status… I collapsed emotionally and eventually, it almost cost my marriage, family, and my life.

Let me be clear, I invested; I did not save.

Worse than that, I invested what I thought was my savings because I thought that investing was a higher form of savings. It's not a higher form, it's a completely different strategy altogether.

Before I get too deep into the differences, let me set some simple math context. Our aim at Vault AIS™ is to design a policy that will earn **4% guaranteed plus a dividend, tax-free**. We use products that are contractually guaranteed to return 4% and also pay a non-guaranteed dividend. But the tax status can vary by state, therefore, for the sake of math in this article, we will set the amount at a reasonable 5%. Once set in the contract, the percent is guaranteed and will not fluctuate with the market or years.

Now, this percent might not put a huge grin on your face, but 5% tax-free is the same as 8% taxable if you are in a typical 35% tax bracket. [If you invest $100 at 8% taxable, you will earn $8 in one year. After paying taxes you will be left with about $5, so your actual return is 5%]. Remember, if it's a guaranteed 5% your savings always goes up, contractually it can never go down. There is no speculation as there is in the stock market. The S&P 500 average is a non-guaranteed 10% taxable and is really just under 6% after taxes and fees.

Would you rather earn just under 6% in speculation, or **4% guaranteed plus a dividend?**

Investing Vs Savings

Saving and investing are treated as synonyms by typical banks and financial planners. However, they are distinctly different wealth-building strategies. On the one hand, saving is primarily used to "**preserve**" capital. On the other hand, the purpose of investing is to "**grow**" your capital.

INVESTING

Investing is extra money you set aside to simply build wealth. Extra, as in after you are done saving and spending. You do not invest your savings - this is an oxymoron. Doing so would immediately convert your "savings" to an "investment". The same money cannot exist in both places. It's either earmarked for preservation or for growth.

This isn't to say that savings can't grow over time. But that growth demands different strategies from investing. Saving must be guaranteed, protected, and liquid. Investing allows for some risk, but

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ONLY in an area where you have knowledge, experience, and expertise.

Let's face it, you desire some risk in life. In other words, some variety, some spice. As an investor, there are many risky things you could inject your investment dollars into. You could use typical vehicles like stocks, bonds, 401k, a private business, crypto…. But unless you have knowledge in these areas, you'd be asking for many sleepless nights spent with anxiety about your "investments".

I suggest you take a different approach… When it comes time to take some risk with the money you have set aside for investing, use that cash to take a risk somewhere you can control - in your own business or career.

Recently I had a conversation with a client, we'll call him Tom, who related the following experience:

In the midst of the global Covid-19 pandemic, oil prices plummeted, and it became very tempting for Tom to buy stock in a big oil fund. The time seemed right, after all oil was so low that it must climb back quickly…. Tom pulled together $20K and purchased the stocks. Within two days the stocks fell an additional 20%; in two days he had lost over $4k! Not only that but it was now the weekend and he could do nothing but let it eat at him while he waited to see what Monday would bring. Tom explained that he had only slept two hours and didn't think he'd be sleeping much over the following couple of days. He said, "Michael, it was a complete gamble."

Regardless of what happens on Monday, this is the cycle for those who invest outside of their control. Sleepless night with the thoughts "Will I lose it?" or "I just lost it!"

What could have been the outcome if Tom had taken the same $20K and invested it into advancing himself as his own #1 Asset? He could have purchased training on marketing, systems, or sales. With that new knowledge, he could have continued to advance his #1 Investment, his business. He could have found new or creative ways to grow during the pandemic and into the future. He could buy new tools and machinery that could make his business more efficient and profitable. You see, there is still risk here, but Tom would control that risk. And since Tom's business has always put the most cash into his pockets, this "investment" has a much more valuable return than any speculation could ever bring. In addition, Tom would sleep and wake up filled with fire to create.

Do you see the difference?

When it's time to invest, take the risk somewhere that you have knowledge, expertise, or experience. DO NOT gamble!

SAVING

If you take a moment to think back to when you were saving for your first car. As you saved, did you give your money to a friend so he could start a new business? No, you put it in a safe place. Likely a box under the bed, in a sock drawer, or maybe into a bank. It was somewhere you wouldn't lose it and somewhere that you could get to it whenever you wanted.

The money you save has the distinction of **purpose**. It's money that you earmark for a certain future purpose. There is no speculation, there no room to gamble with this money.

Investments will always be subject to loss. Even inside of our own business or career, there could always be some unforeseen event. This is why your savings must go into the safest possible financial vehicles. You want to be able to access your cash when you want it, without penalties, fines, or fees (*liquidity*.) You want this cash to be as close to zero risk as possible and to be guaranteed by contract (also protected from lawsuits, claims, and garnishments.)

Remember this "SAVINGS" is purely for preservation. The savings element is where you put cash for any short, medium, or long-term expenses that you believe you absolutely must take care of. This can include things like retirement, paying for a child's education, cash reserves for your business….

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The main point is to think of spending, investing, and saving as strategies that work together to produce wealth. I suggest you execute these strategies in the following order:

1. The king eats first, therefore you must take your cut of the finances **first**. It's the reward you get for being the king of the kingdom. This is your ***savings***. Remember this is cash you want access to when you want it, because you want it! Savings are used for specific short, medium, and long term. Such as buying cars, homes, children's college tuition, retirement, things you feel you absolutely MUST take care of! Take it out first or expenses will ravish the account leaving you as a peasant with the leftovers.

2. Next, you will want to take care of expenses. ***Spend*** to cover current personal, family, and business "needs" as well as living expenses such as food, shelter, and entertainment.

3. Your business or career has and always will bring you the most satisfaction and financial growth. Therefore, always take a portion of your income and reinvest in yourself and your business. Set money aside to ***invest*** in marketing, sales, systems, and/or infrastructure. Examine everything you do with this money. Remember it is earmarked for growth, not speculation-based risk.

This is significant because many who read this have never distinguished between saving and investing. Many have their retirement in a 401k or their child's college fund in a Coverdell or 529 whose models are based on stocks. As we discussed earlier, stocks are NOT a saving vehicle, they are much too risky and volatile for saving. If, by chance, you have knowledge, expertise, and experience in stocks, then invest in stocks. **But don't "save" there.**

A properly designed life insurance policy from a mutual life insurance company is currently the safest place on the planet to save large amounts of cash and cash reserves. When designed with the AIS Triangle™, these policies are more protected than a typical bank account and grow 5x more than a bank account. When designed correctly, you can add to, withdraw, or use your cash as collateral anytime, in any amount, without penalties, fines, or fees. **And the growth is guaranteed.**

Typical savings account at a major bank like Wells Fargo will pay you a **1%** return—and that's if you give the bank $100,000. If you deposit less, it will give you less. ***A typical $10,000 savings account will yield 0.01%***. That's practically nothing!

CDs aren't much better; a three-year CD from Bank of America will pay around **0.75%**. Now, even if you're really diligent and look hard enough to find some smaller community banks paying higher rates, you'd still be hard-pressed to get anything more than 2%.

Government savings bonds? Series EE savings bonds are paying **0.6%** right now.

And gold—good old gold—pays no interest at all.

The reason banks pay so little today is that they can get away with it. They know that their customers are afraid of the markets and want to keep their money in cash. They can get away with giving their customers almost nothing because they know they will accept it. But it gets worse… the interest you get on a bank account is taxable. That means the measly 1% you'd get on $100,000 would be worth 35% less after taxes!

This is especially troublesome when you realize that the **current 2020 inflation rate is 1.5%**. This means you are actually losing future buying power by saving your cash in a typical savings account.

When talking about savings especially, you can see how getting a guaranteed 4% plus a dividend *(tax-free—as you'll get with Vault AIS™ designed policy)* is a useful strategy for your savings. You can withdraw from your account anytime, in any amount, with no penalty. It grows faster than inflation, in most cases the growth is tax-free, and the growth is guaranteed.

In Prosperity

Michael G Isom

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