AN EXCERPT FROM

MONEY RULE$

CHAPTER 4

TRUSTING THE BANK

HARRY ABRAHAMSEN

Introduction

Money Rules is not your typical book about money. It is an overarching mindset written for people who want to maintain massive wealth. When you know the rules of how money really works and the ideas and strategies within Money Rules, you will be able to build and protect your money, not just have momentary fortune.

The philosophies and approaches in this chapter are presented to you by Harry J. Abrahamsen, and while you may be able to implement many of them right away, they are not to be mistaken for direct advice. Money Rules empowers you to be the master of your own wealth—your advisors are just one piece. At this point, you have been introduced to one aspect of the macro mindset. Make sure to read the rest of Money Rules to move into mastery.

Written for Influential Individuals, Entrepreneurs, Business Owners, and Families with Money. Though I dare anyone to pick it up and read it now.

There are many books written for individuals who are seeking to build wealth, but when you reach the point of impressive success and multiple commas to your name, you may be reliant on your inner circle with your decisions about money. You feel you have control, but you are just a few mistakes away from sacrificing everything.

This book is written for you, and in it you will find out the things you are missing, no matter how diversified your portfolio is or what you think you know about money. When you know the rules of how your wealth really works and the ideas and strategies within, you will be able to build and protect it, not just have success for a moment.

This book is not about what's right or what's wrong, it's about doing things the right way.

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CHAPTER 4

Don't Trust the Bank to Have Your Back

Your bank is not a safe space.

In 1933, Americans were in the throes of the Great Depression, suffering from the wake of the stock market crash and the resulting nationwide commercial bank failures. (9,000 banks failed between 1930 and 1933; 4,000 of them in 1933 alone.) In response to this banking disaster, Virginia Senator Carter Glass and Alabama Representative Henry Steagall introduced the Glass-Steagall Act to divide investment and commercial banking activities into different institutions—e.g. to keep Wall Street separate from Main Street. Until this point most banking institutions were taking the role of investment bank, commercial bank, and insurance company all in one, and they were able to participate in the practice of tying commercial bank loans to the market, which became disastrous for the people when the stock market crashed. The Act ensured that commercial bank credit (the money of the people) would not be connected to the stock market, and therefore never again grenaded by a stock market crash. This much-disputed landmark banking legislation was a win for the people, providing individuals with more security for the money they entrusted to their banks. But soon enough, lenient regulatory interpretations and loopholes chipped away at the protections and watered down

restrictions. In 1999, Texas Senator Phil Gramm, Iowa Representative Jim Leach, and Virginia Representative Thomas Bliley sponsored the Gramm-Leach-Bliley Act, which repealed the major provisions of the Glass-Steagall Act, and moreso, failed to provide any stipulations for government regulation of investment banks by the SEC, or any other federal agency. This meant that commercial, investment, and insurance institutions were now able to pool their interests and bet as high as they wanted, playing with people's savings like high rollers at the craps table. (Most people had no idea that this happened or what it meant in regard to their bank.)

In 2008, the Great Recession exposed this gaping chasm between the banking institutions' interests and the people they supposedly served. Banks were blatantly leveraging their clients' dollars for their own schemes, and people became brutally aware that banks were playing for keeps at the expense of their lives. To avoid the plague of another Great Depression, the government was forced to bail the banks out. But there is no strategy in a bailout. This was a band aid that just treated the immediate situation. Now, unsupported by any real regulations or SEC oversight or the previous protections of the Glass-Steagall Act, the U.S. banking system is wide open for these disasters to repeat themselves. What will happen when the banks fail for the third time?

People see the Great Recession through the lens of what they themselves experienced and the most popular stories on the news ticker at the time, with just a general idea of what the bailout meant. But most people do not know how close America was to falling into another depression, and they may not realize that the source of this bailout was their taxpayer dollars. When the government throws money at a problem, more taxes are required to make up for it, and inflation goes through the roof. So maybe individuals weren't as immediately impacted in 2008 as in the 1930's, but the impact of the tax increases, and inflation, and speculation, will wreak havoc in their lives in the long term. The banking system is an immense tide that is being held

back by a series of weak barriers and bailouts. Your bank is a watery grave, not a trusted institution.

Many people are lured into the water thinking everything is safe because they and their parents have always banked with institutions like Wells Fargo. They bought their first home with them, and they helped them send their kids to college. And yet in 2021, Wells Fargo announced that they were closing all personal lines of credit within weeks in favor of personal loans and credit cards, warning people that the new changes might impact their credit score. Do you think that was for the benefit of the families they supposedly supported? This was a mere three years after the bank opened millions of fake accounts under actual customers' names, literally stealing their identities and moving more money around behind their back. The bank always wins out over the individual.

The Bank's Strategy

The bank's strategy is to get you to deposit your money not just once, but as often as possible, and they want to hold onto it for as long as possible and to give you back as little as possible when you want it because they build their wealth by moving money around (through the velocity of the money multiplier). You put money in, they lend it out over and over again with mortgages, credit cards, personal loans, and student loans—so much so that there is a federal reserve requirement stating that banks and other depository institutions must hold 10% of the amount of all deposits to back up a percentage of the money in your account with an actual reserve.

Banks spend millions of dollars marketing and training their staff with fear-based strategies to get your money, hold on to it for as long as possible, and give you back as little as possible. The traditional strategy backed by banks is for you to save money for a period of time and get a rate of return to slowly increase your wealth; this is while they implement entirely the opposite approach. Banks grow their wealth by

keeping your money in motion, and they move it with a greater strategy in mind, all while convincing you to make minimal movements focused on them. In fact, you might have made your bank your most trusted institution, and it may be the foundation of your financial strategies if you are liquid-oriented.

What It Means to Borrow from the Bank

I will get into this more, but the benefit to borrowing money from the bank, such as in the form of a mortgage, is that it provides you with leverage that you wouldn't have had with a traditional cash transaction. While paying cash may be more convenient, it isn't dynamic; it's just an efficient way of blowing through the rewards of your success. Borrowing provides you with some agility and buying power so that you may build wealth while you spend it. That said, borrowing from the bank is not the ideal way to go about it, and as you may expect it comes with a number of hurdles that are anything but favorable to you.

To begin with, you have to jump through an endless amount of paperwork and banking underwriting requirements, and you will be required to show proof of income with your tax returns, which may present a significant hurdle. You'd want to show the bank as much income as possible to make them feel warm and fuzzy about lending you their money, but if you're a business owner or entrepreneur, you'd be making sure the numbers on your tax returns stayed towards the lower side of things. By being prudent from a tax perspective, you make your income less attractive to the bank, regardless of your gross. This catch-22 might impact your interest rate or the amount you may borrow.

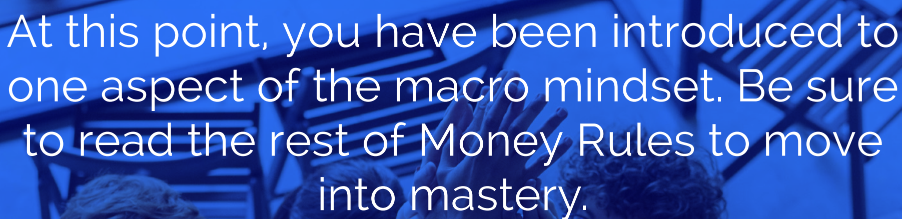
In addition, if your credit rating isn't up to par, you will be paying a fair amount more than you should be. You might feel confident about your score, but it just takes one mini-black swan to change things. For instance, if you had a line of credit at Wells Fargo, the moment they

dropped those, your credit would have taken some type of hit. You shouldn't bank on the best rates just because you're wealthy.

With all this in hand, the bank will determine the interest rate as well as how you will be paying them back, which will be to their benefit, I assure you. The bank might pitch you on micro scenarios that make things more beneficial for them: they may tell you to pay them back quickly, so they can run straight to more borrowers with your money; or they might try the reverse in order to get more interest and charge you a prepayment penalty if you pay back the loan before the end of the term. It can take months for you to be fully approved, at which point you will need to involve your lawyers and schedule a closing date to receive the funds.

Borrowing from the bank is better than paying out of your own pocket because you will be creating leverage and reducing some risk, both of which allow you to build more wealth. But you have to consider the benefits of what the bank has to offer in relation to the extensive downsides. Borrowing from the bank is business-class financing. You should be first class or flying private if you want massive rewards, and I will be sharing how to do this in a later chapter.

Banks are a monopoly within their realm and will be a piece on your financial board if you have an intelligent strategy. If you have money buried in a vault in your basement it's burning from inflation and many more threats, and it will never make you more money. I'm just telling you: banks don't have your back, they work behind it.



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You may also wish to receive a complimentary personal coaching session on one or more of the Money Rules.

Schedule My Session

WRITTEN FOR INFLUENTIAL INDIVIDUALS, ENTREPRENEURS, BUSINESS OWNERS, AND FAMILIES WITH MONEY

9 RULES TO MASSIVE WEALTH

MONEY RULE$

Not your traditional book about money

HARRY ABRAHAMSEN