EXAMPLE: HOW TO COLLATERALIZE MONEY AND ACHIEVE **POSITIVE ARBITRAGE**

The illustration below is an example of how you would use the cash value in your life insurance account to achieve positive arbitrage. Arbitrage is defined as the difference between the amount of accumulated cash value and a favorable loan. In this example, you would use your cash value ($100,000) as collateral and take out a favorable loan ($10,000 with a 5% interest) to make your capital purchase.

Throughout the year, your account continues to grow (green bucket) since you didn't drain the tank; receiving a 7% rate of return. Since you're only paying back the loan at 5% while you have gained 7% on your account, you have achieved a positive arbitrage of +2% (7%-5%).