How the 1% Use Debt to Print Money (Legally)

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SUMMARY

Most people misunderstand the purpose of banks, viewing them merely as safe places to store money, which ultimately hinders wealth building. Instead, the wealthy leverage banks as tools for capital access, using debt strategically to invest in income-generating assets while minimizing tax liabilities.

- *Banks profit by lending out deposited money at higher interest rates than they pay depositors, utilizing fractional reserve banking.*
- *Wealthy individuals use banks to access capital for investments rather than saving money in low-interest accounts.*
- *Debt is viewed as a tool by the wealthy, allowing them to invest in cash-flowing assets, while the average person sees it as dangerous.*
- *Borrowing money for investments can lead to cash flow that covers expenses and builds equity over time.*
- *Tax advantages exist for investors, as borrowed money is not taxable income, and depreciation can offset cash flow.*
- *Real estate investing allows for leveraging other people's money, creating a win-win situation for investors and lenders.*
- *To shift from the 99% mindset to the 1%, individuals should focus on investing, using leverage, educating themselves on business banking, and building a supportive team.*
- *Successful investing requires knowledge and strategy, particularly in managing debt effectively.*

Why 99% of people use banks wrong. And I mean that literally. See, most people think banks are placed to store money. And that's what they do. They deposit their paycheck. They put it in a checking account and maybe they stash a little bit into a savings account and they think that they're being smart. But here's the truth. That strategy just does not work. It will not build you wealth. And you are literally losing money to inflation every single day. I am over $800 million in debt. And I say that proudly. That means that I owe the bank a little over $4 million each and every month. Now, most people would think that's completely crazy. And I would understand that if you don't understand the banking system, but hear me out. Most people would say, "Ken, this is a death sentence. There's no possible way that I would be able to sleep at night." But here's the reality.

I don't pay that. My tenants do. Yes, they pay me first in the form of rent and then I pay that in a mortgage, but my tenants pay my mortgages for me. That's how banks work. That's the game that the 1% are playing. They're not saving at the bank. They're actually using your money to build wealth for them. And in this video, I'm going to show you exactly how the wealthy use banks and how you can start thinking like them today. Let's start with a simple question. What is a bank really for? Most people would say it's safe.

It's where I put my money and I could access it at any time. But that mindset, that's exactly what most people do to stay stuck financially. Here's the stark reality. Banks don't actually want your money. They want to use your money because when you give a bank money, they actually owe you. It's an expense to them. So basically, they're taking a loan from you and they owe you interest on that loan and they pay you pennies for it. Then they lend it out at a much higher rate. That's how a bank works. So when you deposit $1,000 into your savings account, the bank doesn't just let it sit there. They turn around and lend up to $800 on that money to someone else. That's called fractional reserve banking. They might lend it to a homeowner, a car buyer, or somebody like me, an investor looking to buy an apartment community. And they don't lend it at 1% like they're paying you. They lend it at 5, 6, 7, or 8% because they're making interest on your money.

So, they're collecting over 6% on your money while they're paying you less than 1%. That's not wealth building for you. That's profitm for them. That's why their names are on all the biggest buildings in all the big towns. Just look up and you'll see all the prominent bank names up at the very top. Now, here's what most people don't realize. When you deposit money at a bank, you're actually creating a problem for them. They have to pay you interest, maybe 1 or 2% or even higher potentially if you have some kind of money market account, which means they have to figure out how to make more money than that to stay profitable. And how do they do that?

They lend it to people like me at 6 or 7% or even more. So, when I walk into a bank, I'm not thinking about where to store my cash. I'm there to get capital. I'm saying, "Hey, here's a property that cash flows. Want to partner on it?" Because really, a bank is your partner when they give you a loan to buy something. In a lot of cases, they say yes. Because that's how they make money on debt. They loan it to the people that actually gave him the money in the first place. The 1% does not use banks as storage. They use it as leverage. So, the next time you think of a bank as safe, remember this. The bank's job is to move money, not babysit. If you want to build wealth, your job is to be on the receiving end of these loans, not on the giving end. So now, let me give you a concrete example. Let's say I buy a multif family property for $2 million. I put $500,000 down and I borrow $1.5 million from a bank at 5%. Pretty normal transaction. Now, let's say that the property brings in $150 grand a year in net cash flow. That's a 30% return on my $500,000 investment. Meanwhile, the bank is thrilled. They're making their 5% interest and taking no risk. And the property itself is the collateral for the loan that they gave me the 1.5 million on. I'm using their money to build wealth and they're using your deposits to make that loan. That's how the 1% use banks. It's a tool to access capital to go bigger, faster, and smarter. Compare that to what most people do. They save and they save and they save, hoping to retire off that interest from a savings account that makes hardly anything, not even keeping up with inflation. Now, if you're serious about using the bank's money the right way, not just saving your money, but scaling it, I'm doing a free webinar on how to invest in the new economy. And we're going to be going over what's really happening in the economy and how you can stay ahead. If you're interested in signing up, just click the link below. Now, here's another mindset shift. The 99% earn money. The 1% build income. Let me say that again. Earners trade time for money. Builders use capital to create cash flow and wealth.

So while most people work for money, the wealthy make money work for them. And one of the biggest differences, debt. See, the average person sees debt as dangerous. I don't owe anyone. They say everything's paid off. They say, but wealthy people see debt as a tool. As long as it's tied to cash flowing assets, because there is such a thing as good debt and bad debt, and you need to know the difference. That's the secret. Borrow money to buy assets that generate more money. This is what I've done for 30 years. I borrow at 5% and I earn at 10 or 12% and I keep the difference. And when it's done right, the cash flow covers the debt, pays the expenses and keeps building equity month after month.

And then you do it again. You just harvest that cash in a cash out refi. And you don't pay any tax because you don't pay tax on debt. You only pay tax when you sell something. So, let's take this a step further. This isn't just about building wealth. It's about keeping it. One of the biggest advantages the wealthy have isn't just leverage. It's how we legally avoid tax. See, when I borrow money from a bank, it's not taxable income. I don't pay a dime in taxes on borrowed money because it's a loan. It's not earnings. So, here's where it gets even better. Let's say I use that borrowed money to buy a 200 unit apartment community. And that property starts generating cash flow each and every month. Because the real estate comes with something called depreciation, the IRS lets me deduct a portion of the property's value as an expense, even if the building is actually going up in value and cash flowing. You can actually offset your cash with the depreciation expense that the IRS allows. So, I might be collecting 20, 30, even $50,000 a month in real cash flow, but I'm actually showing a paper loss. That means I'm earning income and writing off income legally. Now, let's compare that with somebody working a W2 job. Every dollar they make is taxed before they ever see it. That's federal, state, payroll. It all hits them upfront. So, who's really winning here? The employee gets taxed on earned income. The investor earns tax advantage income. But here's what really blows people's minds. I don't even use my own money for the down payment.

That's right. I raise it from investors because all investors are looking for good cash flowing deals that have tax advantages attached to them. So, think about this. I borrow from the bank 70% of the deal. I raise the other 30% from private investors. I have zero dollars in the deal, but I still earn cash flow, get the tax benefits, and build equity over time, all while the tenants are paying off the debt. And my investors, they're happy, too. They get returns, they get their own tax write-offs, and they don't have to do any of the work.

That's why I always say real estate is a team sport. When I learn how to structure deals like this, the bank becomes your partner, your real estate investors become your fuel, and the tax code becomes your ally. So, how do you shift from the 99% to the 1%. It starts how you use your own bank account. Step one, stop saving to feel safe and start investing to build freedom. Step two, learn how to use leverage. That means taking smart fixed rate debt on assets that cash flow from day one, not this capital gain strategy. Only buy for cash flow. Step three, get educated on business banking. If you're running a business or side hustles, run it through a business account. You open up a whole world of tax strategies and legal advantages. And step four, build a team.

Wealth is a team sport. You'll need a good banker, a CPA who knows how to work with investors, and maybe even a mentor who's been down this road, which is exactly how I started. This is not easy and not for lazy people. You are using a very powerful double-edged sword called debt, and it will crush you if you use it incorrectly. As I said earlier, you don't even need money to start. You just need to know how to find money. If you want to see how to buy a property with zero down just like I do, then watch this video