Why, And How, to Invest in Gold (Years 2013 -2017)

(and why this is crucial for you to know)

November, 2012

From: Aaron Kutchinsky

The future is of course… unpredictable. However, we can often get a sense of what lies ahead by examining current trends. Trends are simply manifestations of Newton's Law of Motion, which states that an object set in motion tends to stay in motion unless acted upon by a new force.

It's pretty clear our prevailing historical paradigm has shifted into something new. It is possible that we will shortly see old systems designed to work very well for particular and specific dynamics be swept away and replaced by new and evolutionary (and historically predictable) economic adaptations .This is surely a time to be alert, mindful, and intelligent as this journey of the world continues to forge ahead.

Who would claim it's not about time for that?

From this perspective, filtered through my imperfect perception of reality, let me share with you why I am here:

My particular interest lies in personal financial prosperity and viability.

My mission is to help others get positioned into physical hard-asset money, otherwise known as gold & silver, as soon as possible and on an ongoing basis.

Simply put, that is what one does in this kinds of economic environment in order to take a logical and prudent footprint outside future inflationary erosion (runaway US and European debt) and negative return. Not to mention bond melt up, financial system tipping points, critical state events, and institutional lawlessness (as in MF Global).

This approach is bonded by deep scholarship, long-term market performance, and historical precedence.

And if you want to know where all future valuations are headed look no further than the US/European bond market - therein lies the truth for all to see.

It is within this framing this presentation is offered to you for your own prudent and thoughtful consideration and exploration.

In other words, it is time to engage our financial future creatively and to your best possible advantage.

Best regards,

Aaron Kutchinsky
Founder /CEO
www.GuardianGoldandSilver.com
800–621-4886

The Potential of Gold Investment

When we talk about investments, the first few things that come to mind are most likely monetary currency, real estate properties, vehicles, insurance policies, stocks, bonds, and savings accounts. Although most of these have long term benefits, there are still possible risks involved in the process. If there is anything which can be relied upon when investing on the future, the potential of gold investment is one thing you should know more about.

Regardless of which item/s you are investing in, there are many benefits you can reap from it. The most important of which is investing in the future. Economy related predictions do not have complete accuracy as even the most progressive nations had suffered from economic recession these recent years. It is important to have something stable and secure to put your future in a great financial state.

When you invest, you lay down bricks at present to build yourself a castle for the future. A huge structure is not even necessary. What is important is that there is something for you to look forward to in the future regardless of its value in size or number. As long as you have something you can count on.

There are associated risks which makes some people spend what they can only in the present. The most notable risk involves possible losses. The probability of any of the aforementioned items depreciating in value is still relevant whether slim or not. Although there are a few which have very minimal potential loss attached to them like real estate properties, gold or silver investment are the only items with no loss recorded whatsoever.

Why Invest in Gold (or Silver)

Investing in gold has many benefits. First of which is their timeliness. History records over 6,000 years of trading with gold. Another benefit is the wide range of industries wherewith these items are applied upon. Some of which includes monetary coinage, jewelry, arts, computers, electronics, space travel, medicine, dentistry, among many others.

Gold and silver investments have been noted to remain constant or to even increase in value over trades and exchanges. When most currencies have fallen during the economic turmoil of the past few years, gold, silver, and other precious metals did not depreciate in value. In fact, they seem to be even increasing in value. If there are times that it would decrease, it is hardly ever noticeable. Besides, its value is based on the ups and downs of the economy and the stock market. The real value of gold is sometimes not stated.

This may be attributed to the rising demand for these metals and the scarcity of supply attached to them. There are sources all over the world for important metals and minerals but the danger of mining such deposits and the costs involved makes them more expensive and valuable. The costs cover manpower, equipments, storage, and conversion into materials which can be used.

How to Invest in Gold (or Silver)

Investing in precious metals such as gold and silver can be done by purchasing items which are made of them. Some of which include jewelry, coins, bars or bullions. These can be purchased in legitimate stores and over the internet. Dealers, traders, jewelers, and mints have them in a few pieces or in bulk.

Storage is the next question. You can have them stored personally or have these deposited in institutions which offer keeping of such items.

Gold or silver investment has great potential. These do not depreciate in value. They have been proven to be more effective in trade over the past 6,000 years. In recent times, they have been spared from economic loss.

Gold, Silver, And The Coming Deep Winter Of The Dollar

We have been trained during the last 30 years to expect the impossible.

Here is the narrative: Growth and prosperity are perpetual, expected, and demanded. Wealth is a certainty at all times and everyone can and should be a massive and aggressive consumer. All mainstream and government planning and analysis is to be framed, filtered, and massaged with this expectation as the pre-determined outcome. Any and all evidence to the contrary is to be dismissed as mere sideways moments in the long march to pandemic wealth.

This is one of those lies so huge and ridiculous it passes for the truth because so many repeat the fantasy regardless of any historical or logical validity or parallel. Take a moment to consider how impossible that is and then contemplate the seasonal and cyclical nature of all life and all earth and human processes.

We have firmly entered into what is called the Winter Business Cycle, which is characterized by the "death" of leveraged paper assets (the dollar and its many dollar-denominated derivatives) and a retreat into "real" physical things, generally known as hard assets. It is very easy to understand hard assets such as gold, silver, producing land, commodities in general, etc., because they are things of universal value and need, and therefore represent a preservation of value. In short, everyone either needs these items (cattle, lumber, eggs, petroleum oil) or these assets are of eternal value, at all times and in all places, regardless of government decree (gold, silver, copper, etc...).

What is the narrative based on reality?

Prosperity leads to the demand for more, and endless, prosperity. This is realized by an exponential rise in public and private debt leading to unsustainable levels of debt overhang. And the real kicker is this: Debt is no longer taken on to create opportunities but to sustain the status quo and to maintain our fantasy and to deny reality. Anyone who has gone through a bankruptcy knows exactly how this plays out. As the crunch of economic implosion limits your options you do anything to maintain what you have come to regard as "normal." You keep doing everything except the obvious - accept your loses and scale back and retreat into a sustainable level.

There are two diametrically opposed and completely opposites narratives. On one hand you have an economy that is recovering, government policies are correct and working, and the citizen consumer is back on the treadmill of buying and spending, or at least headed that way. The contrary story is that the world is burdened and soaked to the bone with debt, there's no plan or possibility of a plan or known model for growth that could facilitate this massive debt repayment, and the amount of cut backs and austerity required to is beyond the political will of all the Western democracies.

If you are emotionally and psychologically committed to the first narrative, you continue to store all of your faith and wealth in the official system and their fiat paper money. That is why our current system is known as a Confidence Economic Model - you have confidence in the fidelity of the government and their economic stewardship. If you feel the second story matches what you seeing and experiencing (or believe there is a strong possibility this is even partially true), you take your money out of the system,

on a percentage basis, and place it into assets like gold and silver (known as hard-asset money) because it is highly probable a massive financial-currency-debt crisis is unfolding. This is a retreat into what is called a Value Economic Model.

And for the record it is mathematically and historically certainty. In fact it is a 100% probability that the US Dollar system will significantly devalue within the next 5-7 years. To be even clearer: the current paradigm is failing and the final end game is guaranteed by an estimated world-wide $100 Trillion dollar debt over hang. That means paper money failure - and that is the financial winter of our financial discontent. It is the natural and right course of nature and reality.

All of the major players (the IMF, the World Bank, the BIS, etc), have at last come to the sane and reality-based conclusion that there's too much debt and that there is no way on earth this debt can be paid back. They know this scenario has only two outcomes: either over-indebted countries will be allowed to fall -and the living standard of their citizens will be crushed, or the global fiat paper system will suffer a cataclysmic failure.

Which narrative do you believe and are willing to bet everything on?

> *Comment:*
> This one is a biggie. Everyone in the world is forced to buy their oil in US Dollars. And those dollars are losing the last of their purchasing power, which means everyone else in the world is paying for our inflation. It's been a long time since the US Dollar became the world reserve currency, the Petro Dollar, in 1947. Back then our money was backed by gold and we were the strongest and most industrialized creditor nation on Earth. The only conceivable validity the current US Dollar has lies in its Petro Dollar/ Reserve Currency status. And don't expect any sentimental hesitation from the rest of the world – they will kick that crutch out from under the US Dollar system at the first opportunity that makes sense for them.

Who Is Investing in Gold? Be Smart and Be Prepared

Gold is considered to be the world's safest money. Why? Because it has many features and benefits that it offers to investors and buyers. Gold is not affected by problems plaguing the economy such as inflation, low value of the legal tender, low currency rates and low interest rates. Rather, the value of gold increases over these economic calamities. If you are interested but do not know how to buy gold bars as a means of security over the diminishing purchasing power of the legal tender, there are many options for you.

Gold and silver bars have, for many centuries, been used as a trading means for commerce. Because of the innate capability of the precious metals to be a hedge against inflation, they have been longed desired for by empires, governments and countries. They are not the only ones who can possess these exquisite metals, but a lot of people are actually buying these precious metals for investment as well as financial security especially with the ever-continuing inflation. Inflation cannot affect the value of gold.

Investing in gold bullion is also one of the most popular forms of investment and storage of wealth and purchasing power. Nowadays, it is most common to hear the news stating about the different economic predicaments of the country, and inflation as well as low currency rates are the most popular of all. With the decreasing value of the legal tender, the waning of its purchasing power follows. Gold, in the other hand is very stable even amidst all the problems plaguing the economy.

If you are planning to buy and then later sell these precious metals, it is very important for you to know the basics of investing in precious metals. Investments in gold, silver, and platinum bars are the most common types of precious metal investments. There are a lot of places where you can purchase these exquisite metals from, and are actually the safest places where you can buy them from. The U.S. Mint is one of these places. Gold in all forms, shapes and sizes can be found and purchased here.

In today's faulty economy where corrosive inflation is systemic feature of the current dollar system, investments in the different precious metals are a tremendously important and proven wealth preservation strategy. Because whenever trouble arises for the economy, much of the investment factors such as real estate and stock market values go along with it. The remaining sanctuary for investors and people who would want to secure their financial assets is the investments in the different precious metals such as gold and silver bullion bars, wafers, and coins.

> *Comment:*
> This is called the remonetization of gold. Purchasing power is being repositioned into traditional and proven stores of value, gold, otherwise known as "hard asset money." The simply reality is that gold is not granted value or purchasing power by any government, regime, or scheme. Gold is its own intrinsic value and therefore stands apart and is independent of the fiat (intrinsically valueless) dollar.

What Is Gold Bullion?

When it comes to profitable investments, nothing can surpass the value of gold. From gold coins to gold bars, you then hear about gold bullion and start getting confused.

What is gold bullion? It is common for people to misunderstand the real definition of the word.

"Bullion" means a refined as well as a stamped weight of gold, silver, or any other precious metal. This is why you would commonly see "gold bullion" in most websites that sell them. It actually pertains to precious metals that are refined and stamped, and it can be used to describe gold coins and gold bars as well. Whether they come in coins or bars or wafers, it is termed gold bullion as long as it is well refined and stamped.

Investing in Gold Bullion

Due to the unpredictable status of the economy today, people who have invested in paper money are frantic about finding an alternative investment. Paper money could easily crash because of the inflation and deflation of currency nowadays. It is more practical to invest in precious metals, most especially in gold. It is an excellent source of financial stability and security in the future.

Once you have established a basic knowledge of the gold industry and the principles of investing, you can start by buying some gold bullion coins or bars from reliable accredited dealers. Even if the value of money crashes, the value of gold remains the same, so do not worry about spending a large amount of money in buying gold. You may store your gold in a safe in your home or better yet, keep them in a safety deposit box in your trusted bank. After a few years, the gold will slowly increase its value, and you would be able to sell it in a much higher price than what you have paid for.

Verifying Gold

There are a lot of dealers and mints that sell gold. You can even find online stores that sell gold bullion bars and coins. Do not be fooled by the term "bullion". It does not necessarily mean that you have to really trust and believe that it is indeed a refined and stamped weight of gold. Just like any precious metal, it should be keenly observed and checked to make sure that it is valuable. This is not difficult to do. Gold bullion is stamped with its manufacturer's name, weight, and purity. Just look at the markings on the bar or coin and check if it says 99.99 or anything from 90 percent and above. If you are still unsure, you can ask help from a trusted financial adviser or any professional with expertise on the industry of buying and selling authentic gold.

It is also important to buy gold bars and coins from reliable dealers. You can find some online or you can visit gold trading markets and mints. For further reference, you can check out consumer reviews and feedbacks online. Now that you know what is gold bullion, you are now ready to take the next step in gold investment. Remember that the success of a gold investor relies on his knowledge of gold, including his awareness of the changing prices of gold.

How To Play The Pros And Cons of Gold Bullion To Your Best Advantage

At the heart of gold bullion lies a truth that is unknown to most people, even if they own physical gold right now.

And it is this: Gold is not an investment in the same way we have become accustomed to.

It is a, in fact, an eternal and universal store of value. But what does that mean?

Over time whatever level of purchasing power you exercised when you acquired your gold is maintained and preserved, in gold's intrinsic value, into the future. It's like a battery - it will hold the "charge" of your

"currency" consistently and faithfully for future use, the market averaging its "paper currency value" to keep pace with the inflation or deflation of the dominant legal tender.

Which is a really fancy way of saying that a quantity of gold today (let's say an ounce) will buy the same amount of goods in the future as it does in today's market. In contrast, as we all know from experience, our $20 US Dollar bill is going to buy substantially less goods in the future as compared to today. Simply, the same dollar gets you less bread and milk tomorrow than it did yesterday.

So let's understand bullion gold correctly: it's a hedge and insurance against wealth loss. Gold has been a store of value throughout time, and therefore real money. That has been its historical and proven role, and it is why gold has always been considered the true wealth of nations, kings, and countrymen.

Therefore, having gold is all about wealth preservation. It is this special property of gold that should be your primary consideration right now in your thinking and decisions about the precious metal. Because if you are evaluating your financial planning and our economy in terms of gold's current "record pricing" you might misconstrue that gold must be yet another "asset bubble." And that would be a fundamental misunderstanding.

The fact is the dollar is a failing and dying currency. This is no secret to the much larger world outside the US. That's because other countries are forced to conduct international trade in dollars, therefore our corrosive inflation becomes their corrosive inflation. This is not sustainable for the world financial system and this will not stand. In fact many of the most important financial players around the globe are taking concrete steps right now to topple the US dollar as the world reserve currency and to simultaneously position and protect themselves against our failure with more stable, dependable, and predictable hard assets and better managed currencies.

That is the reality and no amount of wishing or hoping or willful ignorance is going to make it otherwise. So let's make a good conscious decision about gold and use to your best advantage the power of this very unique and appropriate wealth tool. As a matter of fact, from now on when you think of the word "gold" think of these words: Money Insurance. That will help you re-focus your understanding, and most importantly, to take action.

So what is the con of bullion gold?

It is not a "leverage" asset and therefore won't multiply your relative and real buying power in the future – at least not normally. Gold hedges and protects your present wealth and you position into this kind of hard-asset money as a defensive strategy. This is the kind of approach that is totally appropriate right now and is completely in line with the historical period we are now witnessing and experiencing.

One note: We are presently undergoing one of those rare moments in financial history in which gold is leveraging up quite nicely. For instance, since the year 2000 gold has increased in value over 600% versus a dollar devaluation of 33% over the same time frame.

Timing the Dips: Gold and Silver Pushed Back

The main focus of this presentation is to illustrated how easy it is to understand what is going on with the dollar and gold and silver, and what you should consider doing about it. Now let’s take a look at how to put that understanding into action, and to your best advantage

What I mean is this: I speaking with a client late August 2011 and she asked should she get some gold at the then current spot price of $1900. At the time gold has just rocketed from $1485 in the matter of only 3 weeks and my client was afraid pricing was getting beyond her. I suggested she wait because red-hot price runs always cool off and pull back, and since the fundamentals hadn't changed a whit, she should be patient get in after the inevitable price pull back, and that pull back That would establish the bottom of our new "trading range."

Here's the basic skinny on what drives an almost immediate and sharp drop in gold pricing following a significant and rapid price rise:

The Comex (the world's largest physical commodity futures exchange, located in New York City) significantly raises the margin on gold future contracts when gold breaks through to new record levels. The bottom line to this requirement is that it forces out the weak speculators who can't afford to play and who must then sell out their positions.

It's the basics: a lot of selling forcing commodity index prices down, with the added dynamic of speculative profit taking. I watched this exact scenario countless times in my time.

Nothing else has changed. The dollar is toast long term, and gold has a long long way to go. Much hay was made of gold index pricing breaking through $850, which was the previous historical high, and it has continued dramatically upward ever since. And with each new high comes the inevitable "prediction" of gold's coming price collapse. That, of course, is a bunch of horse hockey because the dynamics driving this phenomenon are not based in some kind of retail buying exuberance. Gold must go up, and is demonstrably undervalued by the market at its current pricing of $1700. In fact, gold would have to be valued at about $2400 to reach to equivalent of its $850 pricing in the year 1980 (adjusted for inflation).

I don't debate the outcome of the dollar anymore because that reasonable conversation is over. The strategy now is about moving over some remaining purchasing power out of the dollar and into hard asset money, gold & silver.

So it's very simple: Get a good deal and buy on the dips. It is inevitable you'll going to have to get some real money anyway at some point, so do it on the dips and get more for your paper currency.

It's just that simple.

So, take action now and begin the process. Either way, you now have the added perspective and understanding that what you are witnessing is the real deal and nothing on earth is going to stop the further devaluation of the dollar – and that there is a viable and proven strategy to deal with this reality.

It is your job to simply find out if this is real and true and to then use the same strategy people always use in this kind of economic environment.

And that this approach is prudent, it is safe, and it makes the most amount of sense...

Either that or place all of your hope and faith in Obama, the US Government, and the Federal Reserve to tell you the truth and to look after your best interests.

But you'll have to deny all of your personal experience, all historic precedent, math, and your own decent common sense to really buy into the official story and explanation.

The 4 Major Market Factors Driving Gold Pricing Today

For the average person reading or listening to the news it may seem as if gold is going through a classic asset bubble period. However, even a superficial look at what is happening will show this to be anything but a bubble. The primary dynamic to any asset bubble is a rapid herd-like movement into a particular market with the hopes and plan of making substantial profits from others moving into the market. We can all remember the tech and real estate fiascoes of a few years ago. At the time practically everyone you knew was talking about stocks or property and buying into the these markets. But who do you know now who has any kind of gold instrument? Or talking about it? And most importantly, physically owns it in any kind of real quantity in ratio to their overall wealth?

Let's take a look at a number of critical and hugely important factors driving silver right now.

1. Dollar Inflation / Weakening / Failure
Year over year, the dollar is losing 3% - 8% of its purchasing power (depending on whose inflation calculation you believe is accurate). This is corrosive and incredibly damaging to wealth. The safety of hard assets is the traditional safe haven for wealth and the preservation of purchasing power.

2. Gold Deficit
Since 2000 the annual production output of gold has been falling. At the moment there is approximately 166,00 tons of gold above ground, which would fill up an Olympic-sized swimming pool if it could all be gathered up in one place. In other words, there isn't a lot of it in the world and there is only so much that can be taken from the ground.

3. Asset Allocation
Studies have shown that a 7% - 20% portfolio allocation into a precious metals hedging position is the most effective strategy to protect the downside to dollar-denominated assets. Over the last few years that prudent approach has been abandoned in favor of an all-in gambling/leverage mentality for the average investor. Because that period of massive and widespread leverage investing is largely over, any general positioning into precious metals now and the future will have a huge effect on future gold pricing.

4. Gold is Undervalued
Based on historical ratios and actuarial valuations gold should be trading at around $6400 an ounce right now (based on reasonably expected inflationary outcomes in next 5-7 years). Factor in its true scarcity and relentless demand even at the present moment and the price could be much higher. Than factor in our current economic uncertainty and the near-total exposure of the majority of wealth assets to the dollar and you have a scenario of five digit gold pricing.

Any rational examination of gold shows the only dynamic really worth considering: Everyone needs gold money, either directly or indirectly, and currently gold is undervalued and under bought.

Investing in Gold Stocks - Mutual Funds and ETF's

When investing in gold stocks you can either entrust your money in gold mutual funds on in gold exchange trade funds, otherwise called ETF's.

Mutual funds is best described as owning shares in companies involved with mining and refining gold deposits to make them available for use. Mined, refined, and purified gold can be applied to various industries such as electronics, computers, space voyages, medicine, dentistry, arts, jewelry, and in monetary coinage.

Exchange traded funds on the other hand may be a form of mutual funds. Although you do not own a direct asset to a gold company, funds you own which are traded over stock exchanges may be directly linked to mutual funds.

The notable difference between the two is that the latter involves physically available gold. These are often in the forms of bars or bullion of which. The standard for gold purity is at least 99.5%. Mass is represented in troy ounces but are often regarded only as ounce. An ounce is equivalent to 31.10 grams.

Exchange Trade Funds

There are various companies you can invest upon in the U.S. and worldwide. Some of which participate in local exchanges such as the New York Stock Exchange or NYSE Gold. Some locally available gold stocks are from the Claymore Gold Bullion ETF, Gold Bullion Securities, iShares Gold Trust, Julius Baer Physical Gold Fund, SPDR Gold Shares, Sprott Physical Gold Trust, and the ZKB Gold ETF.

Worldwide stocks you can be able to invest upon for gold include the Central Fund of Canada and Central Gold Trust and Precious Metals Bullion Trust of Canada, Dubai Gold Securities and NewGold, ETFS Physical Gold and ETFS Physical Swiss Gold, and the Goldist ETF of Istanbul.

Spread Betting

Like all other stocks, strategies can be utilized for best results. Spread betting is one. It can be compared to a race game where one places bets to more than one player to achieve chances of winning.

In relation to investing in gold stocks, spread betting lets you buy stocks in more than one source.

Another method which can be followed with gold stock investing is to purchase stocks in progressive stages. Begin with a minimal number of stocks. In this way potential losses will have little or no impact. Slowly move up by increasing your percentage of stocks.

SPDR Gold Funds

The Standard and Poor's Depository Receipt or SPDR's Gold Funds (GLD) is the world's first gold ETF and now holds about 80% of gold stocks worldwide. Its four main stock exchanges include the United States' NYSE: GLD, Japan's TYO: 1326, Hong Kong's HKEX: 2840, and Singapore's SGX: GLD.

The SPDR Gold Trust physical gold is kept in its headquarters at London and is audited twice a year by a third party company.

The SPDR GLD is a reliable and trusted gold stock group and is preferred by many when investing in gold shares.

There are many reserves and companies you can choose when investing in gold stocks. You can invest through local groups or you can also invest in those which operate worldwide. You can browse over the internet and choose reliable websites that offer quality gold stock investments. Do not deal with

websites that create some suspicions or doubts in your mind. When dealing with any gold purchase, you have to be very cautious in any sort of transaction so as not to put your money into waste. Gold is considered a high-quality investment which will never run out of value. Regardless of whether the US dollar fluctuates, gold remains to be equal to the value of your money. It serves as financial savings even in the midst of a crisis situation.

Julius Baer's chief investment officer for Asia is also recommending that wealthy investors park some of their assets in gold as a defensive stance following a string of lackluster U.S. data and amid concerns about currency weakness.

"I see gold as an insurance," Van Anantha-Nageswaran said. "I recommend 10 percent as minimum in portfolios and anything more than that to be used for trading purposes, to respond to short-term over-bought or over-sold signals."

> *Comment:*
> That's it in a nutshell. This is a perfect illustration of an age-old principal: When paper is dying, you retreat into "money insurance" and wait out the storm. It is as simple, easy, and intuitive as that. Gold is history's eternal and safest form of money.

Major Countries are Aggressively Buying Gold

Emerging market countries are quietly buying gold en masse. In the past 12 months, Russia, China, and India moved part of their Western currency reserves into bullion. The shift was significant enough to push gold prices higher even as equity markets settled down. This year's gold rush is a result mainly of buying pressure from emerging market banks and not from worried retirees buying coins.

So why is this important? The future of the global economy is in the East. Instead of multiple-trillion dollar debts, China, Russia, and India have currency reserves. These governments are slowly moving their reserves from fiat currencies like the dollar to more stable stores of value like gold. This is a clear sign that confidence is waning in the US government's ability to pay off debt. They are, in essence, shorting the US economy and exploring other stores of value besides the dollar.

> *Comment:*
> Is the macro picture coming into a little more focus now? There is nothing unusual or unexpected about this. It is the perfectly natural result of a fully fiat currency system. Once all restraint has been suspended for money creation you've pre-determined the end result because you've unleashed unlimited credit, which means unlimited debt. And you end up with a Ponzi scheme of ever-increasing debt to pay for previous obligations ***at interest***. That it is why

fiat currencies have a 100% failure rate. They spiral out of control as each generation of debt must be larger to satisfy the previous generation of principal and interest payments.

China Is Preparing for a Massive Dollar Freefall By Buying Gold

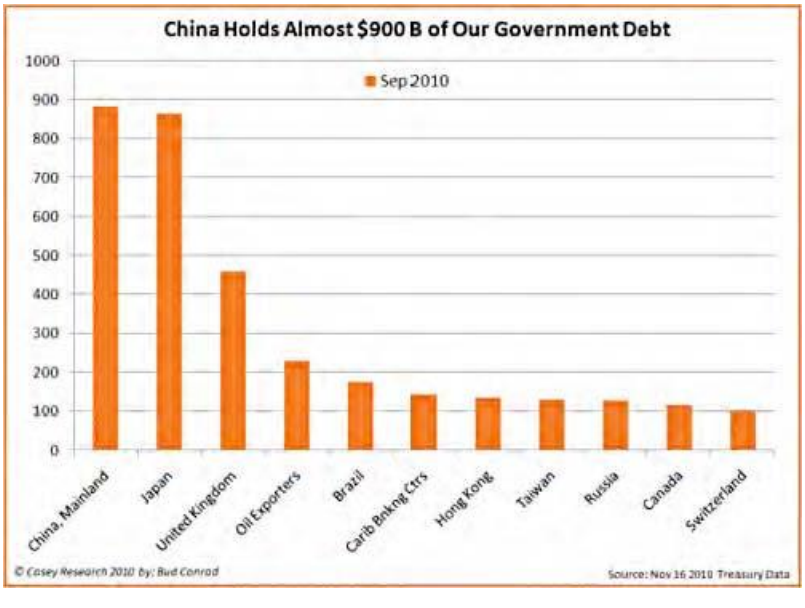
China is making preparations for the ultimate demise of the dollar. Li Lianzhong, a senior economist in the ruling Chinese Communist Party, directly attacked the dollar recently. Li's message is simple: China should buy more gold because the dollar is poised for a further fall. Li also said that China should use more of its $1.95 trillion in foreign reserves to buy energy resource assets.

Li asked the very valid question, "Should we buy gold or U.S. Treasuries? The U.S. is printing dollars on a massive scale, and in view of that trend, according to the laws of economics, there is no doubt that the dollar will fall. So gold should be a better choice."

There is no doubt in our minds that China – the largest holder of US Treasuries with almost $900 billion worth of bonds at the end of September, 2010 – is maneuvering to reduce its exposure to the buck.

China has revealed it had increased its holdings of gold to over 1,200 tons from 600 tons since 2003. Data cited December, 2010 by China's state-run Xinhua news agency showed that China imported 209.7 metric tons of gold in the first 10 months of 2010, a fivefold increase compared with the same period last year.

Comment:
By now you know exactly what this means. Are you completely exposed to the Dollar? Have you hedged in any significant percentage out of the Dollar system? Do you have any "money insurance?" Hedging has been a traditional, time-tested, and conservative approach to money management and wealth preservation for generations. What's your plan? What's your vision?



The Average Person is NOT Prepared and is Totally Exposed to the Dollar

Many market participants and commentators are obviously having a hard time distinguishing between a bull market and a bubble. More and more articles are referring to the imminent burst of the "gold bubble" and to an alleged "crowded trade".

The facts quickly put these observations into perspective: Currently **some 0.8% of all global financial assets are invested in gold and gold derivatives**.

- In 1921 the allocation was 28%
- In 1932 the allocation was 20%
- In 1948 the allocation was 30%
- In 1981 the allocation was 26%
- **In 2009 the allocation was 0.8%**

If a total of 2% were allocated to gold, the additional demand would amount to about 85,000 tons – or the total global mining output of almost 34 years. Granted, this is only a numeric model, but it illustrates how unfounded the myth of a gold bubble is. According to an old saying, one tends to see the bubbles wherever one is not invested.

> *Comment:*
> Inflation has forced all us to become professional gamblers over the last 30 years. That's what equity investing is – you are betting that your equity will be in demand, will increase in value, and someone else will buy it from you and lock in your gains. And of course that other person will have the same hopes as you, but eventually someone must lose because that is the nature of gambling. Prudence has been abandoned and must be re-discovered once again. If you don't have a balance, a hedge, to all that paper dollar denominated equity position you are completely naked and exposed to whatever fate lies in store for US currency system.

In Conclusion

The monetary role that has been established and manifested over the past centuries is currently being re-discovered. For centuries, gold has represented consistency of value, independence, and stability. Gold is the only asset that is not based on a contractual agreement between a creditor and a debtor. It is the only supranational, internationally accepted means of payment, and has survived every war and every national bankruptcy. This has yet been proven again amid the current turmoil, and we expect this tendency to last throughout at least the coming 5 years.