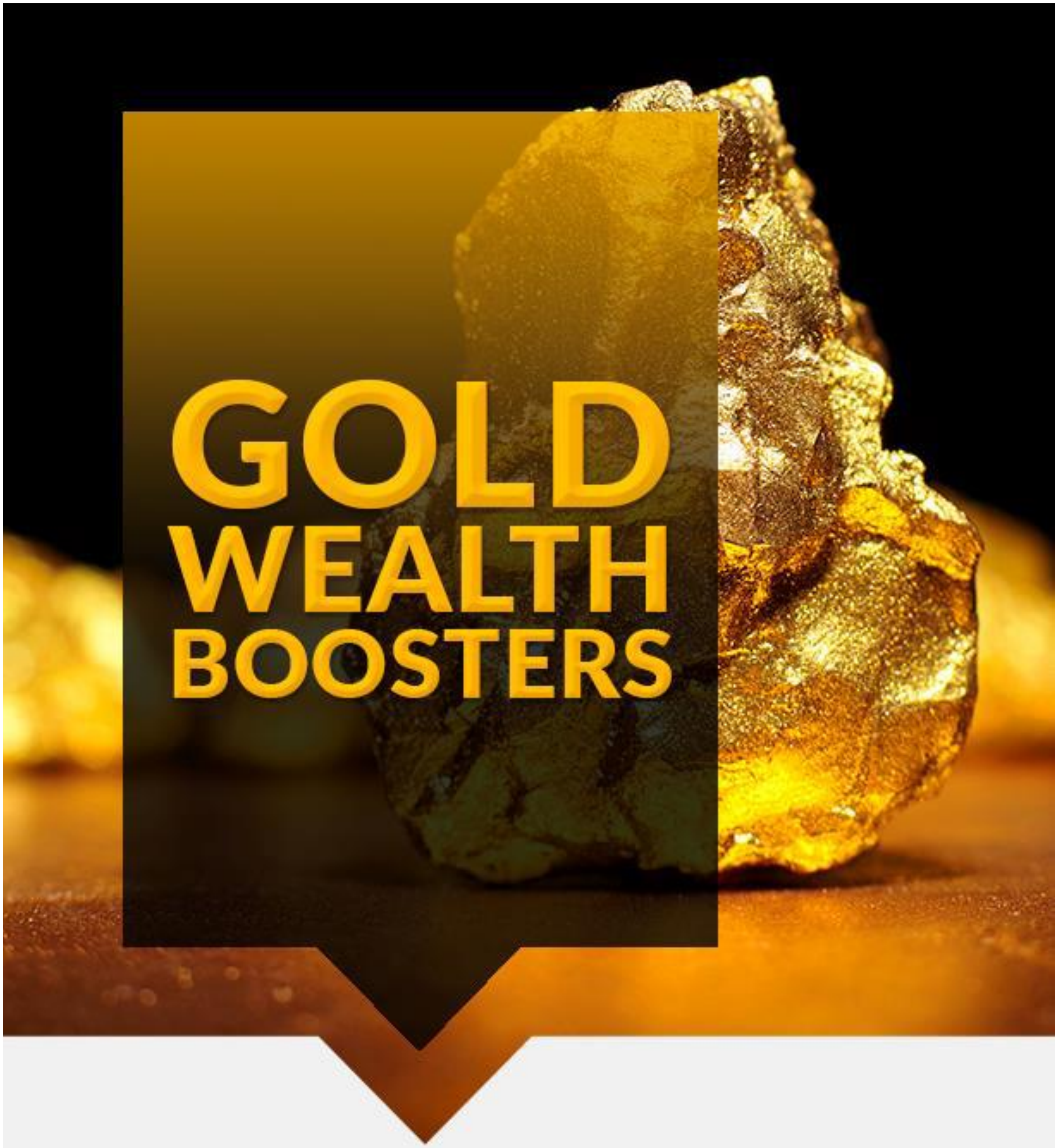
GOLD WEALTH BOOSTERS



Dr. Mark Skousen's
Forecasts&Strategies

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Gold Wealth Boosters: The Best Ways to Own Gold & Silver for Inflationary Times

Published by:

Eagle Financial Publications.

122 C Street NW, Suite #515

Washington, DC 20001

800-552-1152

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Unlike fiat paper currency, gold and silver cannot be created out of thin air. That's why the Fed hates gold. All central bankers hate gold. Governments hate gold. Gold signifies discipline, and discipline is not, unfortunately, what central bankers and politicians are all about.

During America's last major financial crisis, in 2008-2011, the price of gold skyrocketed from a nominal price of $1,018 to $2,430 an ounce in just three years – a gain of 138.7 percent. Investors and retirees made small fortunes – but NOT just with gold stocks or ETFs. Instead, many invested in a little-known gold investment officially released by the U.S. government which we will look at in a moment.

Coins or bullion generally are held by people who are concerned about a currency collapse and want an alternative form of currency available to them. If that is your goal, you *don't* want to own gold through an IRA, but in the form of gold and silver coins, in your physical possession or nearby. You want to own it outside of an IRA. The IRS has said that precious metals owned through an IRA must be in the possession of a custodian.

Gold performs well during periods of geopolitical upheaval, inflation, and U.S. dollar depreciation. It's a wealth guardian and a doomsday ally. It is the world's hardest currency. Every other currency is subject to the whims of politically (or otherwise) motivated bureaucrats itching to hit the duplication button on the printing press.

After hitting a low of around $1,629 per ounce in November 2022, the price of gold has been rising steadily. By May 2023, it had hit $2,014 an ounce – an increase of 23.6 percent in just six months.

Before adding gold to your portfolio, consider the tax consequences. Congress doesn’t like gold investments, so they receive special tax treatment. There are several ways to invest in gold, and each has its own tax treatment. You also can own gold in different types of accounts, which can change the tax results. Consider the tax effects of different choices before deciding how you want to own gold.

There are several ways to own gold bullion, and it seems new ways regularly are developed. You can buy gold bullion bars directly. You can store the bars yourself or have them stored at a facility. Bullion coins, such as Krugerrands or American Eagles, also are an option. Exchange-traded funds are another way to own bullion, and I’ll discuss those separately.

Bullion is a collectible under the tax code. That means it is ineligible for regular long-term capital gains treatment. Instead, long-term gains on bullion are taxed at the 28% tax rate.

Collectibles, including bullion, also cannot generally be owned in an IRA, whether it is a traditional or a Roth IRA. The purchase of a collectible is a prohibited transaction and is treated as a distribution to the IRA owner. However, there's an exception for gold bullion coins that also are legal tender, such as the American Eagle coins. The amount invested in the collectible is included in the owner's gross income when the purchase was made, and there is a penalty for each year the investment stays in the IRA. If the owner is under age 59½, the amount of the gold purchased not only is included in gross income but also is subject to the 10% early distribution penalty, unless the owner qualifies for an exception to the penalty.

And as I've said before, gold, silver and other precious metals are an insurance policy. You buy them as stores of value and pray the price trends down. Why? Because most likely everything else you own would be trending up! Your choices for owning precious metals are generally coins and precious-metal-backed ETFs. I own both. We'll look at each in turn.

Gold Coins: Saint-Gaudens Double Eagle

There are two types of gold coins available: What are known as "bullion coins," such as Krugerrands, American Gold Eagles, Chinese Gold Pandas, and Canadian Maple Leafs, and "numismatics."

Bullion coins are coins struck by the mints of sovereign governments, usually purchased by investors as a hedge against inflation. They typically track the spot market cost of gold itself, so that a one-ounce American Eagle is generally worth about the same as an ounce of gold.

The other type of gold coins are what are known as "numismatics," or so-called collectible coins. These can cost and be worth more or less than the cost of gold, depending on a host of factors. In general, experts advise investors to *avoid* numismatic coins and buy bullion coins instead – with one exception. The reason to avoid numismatic coins is that, as collectibles, the value must be established by experts – and it's easy for an uninformed buyer to overpay for a numismatic gold coin. What's more, you often must pay a premium and transaction costs for a numismatic coin, there are no tax or non-confiscation advantages to numismatics over bullion coins, and buyers can be difficult to find when it comes time to sell them.

However, some experts make an exception for one collectible gold coin: **Saint-Gaudens Double Eagles.** These elegant, highly prized gold coins were minted by the U.S. government between 1907 and 1933, designed by the American sculptor Augustus Saint-Gaudens, and are widely considered to be the most beautiful of all U.S. coins. They are considered collectibles – and for a good reason! Saint Gaudens can easily be worth many times the current cost of gold itself. For example, a 1907 $20 St. Gaudens, High Relief Double Eagle gold coin, produced by the Philadelphia Mint, can be worth 375 times the spot price of gold – or $750,000.

Here are the reasons some experts recommend Saint-Gaudens for those interested in holding physical gold:

- **Limited Supply:** The $20 Saint Gaudens have been out of production for over 80 years. This means there is a *finite supply* of these coins. That, coupled with rising popularity of the St. Gaudens, are making savvy individuals hoard the already limited coin reserves. Therefore, now is a good time to invest in $20 Saint Gaudens, as several fundamental factors are likely to result in higher demand in the near future.
- **Broad Appeal:** Among all the U.S. rare coins, the $20 Saint Gaudens are the most widely recognized and traded. The coin series' demand is international in scope, from royal families to private individuals.
- **Established Market**: The $20 Saint Gaudens are available in the global coin market in sufficient numbers, unlike some rarer coin series. This helps to

create a fair-sized trading pool, while ensuring reasonable liquidity.

- **High Gold Content**: Unlike some numismatics, the $20 Saint Gaudens have a gold purity of 0.900. Each coin contains approximately 0.9675 troy ounces of gold. Therefore, when gold spot prices increase, the value of $20 Saint Gaudens can also appreciate depending on the quality and rarity factors.
- **Greater Privacy:** In the United States, the purchase of gold bullion coins and bars are subject to rigid government reporting requirements. For instance, the name, mailing address, and social security number of bullion sellers are recorded on the IRS Form 1099B. Some argue that this reporting is a violation of privacy and could lead to the confiscation of your gold coins in the future if the government ever declares owning physical gold illegal as it did in the 1930s. Some experts claim that, while numismatics could be confiscated as well under such a situation, the lack of reporting required when buying and selling collectible coins means that government agencies would be less likely to know you owned $20 Saint Gaudens in the first place.
- **Better Price Stability:** The stability and reliability of the $20 Saint Gaudens make them a worthwhile acquisition even for the risk averse. The Double Eagles are among a handful of coin series that did not decline in value during the bear market in gold from 1980-82, although bullion prices were facing a significant downturn. Having $20 Saint Gaudens of a decent grade in your portfolio could help to offset the risk of inflation during a recessionary economy.

Silver Coins: American Eagle Silver Bullion Coins

Silver has the: 1. highest electrical conductivity, 2. highest thermal conductivity, and 3. highest reflectivity of all metals. It has been regarded as a form of money for over 4,000 years, and it will continue in that position through our lifetimes. The U.S. Treasury exchanged Silver Certificates for bullion until 1968. Each note represented one silver dollar payable to the bearer on demand. The 1968 breakdown was the first substantive indication that the fiat dollar's days of sound money had passed for good.

The silver market is small compared to gold and often far more volatile. The London gold bullion market turns over about 18 times faster than does the silver market. As recently as 2005, silver traded at only $7 per ounce, jumping to $14 per ounce in 2006 and $20 in March 2008. Then, due to the credit crunch in October 2008, silver fell by nearly 60% in a single month. In April 2011, a monster bounce back propelled silver to nearly $50 per ounce. In 2023, the price was around $25 per ounce and climbing fast.

Relative to gold, silver is cheap. The higher the gold/silver ratio, the cheaper silver is. The historical gold/silver ratio has been 15:1. Today, it is over 80:1. Central banks do not own silver, which they could dump on the world market to depress prices. This is a big plus for silver. The best way to own physical silver is probably American Silver Eagles or Canadian Silver Maple Leafs. **The American Silver Eagle** is the official investment-grade silver bullion coin of the United States Mint, debuting in 1986. It is guaranteed for weight (one ounce of .999 fine silver with a face value of one dollar), content, and purity by the U.S. government. **The Canadian Silver Maple Leaf,** introduced in 1988, is also one ounce of .9999 fine silver and widely considered to have good liquidity and value.

Gold & Silver Exchange Traded Funds

Exchange-traded funds are the most liquid way to own precious metals, though the ownership is indirect. The two main ETFs that buy and store bullion are iShares **Gold Trust (IAU)** and **SPDR Gold Trust (GLD).** You can buy and sell shares in an ETF on a stock exchange through a brokerage account. The ETFs charge annual expenses, and their returns are very close to the spot price of bullion minus the expenses. The big advantage of the ETFs is liquidity. You can sell the shares any time the markets are open and as quickly as any stock can be sold. The ETFs generally don't have premiums, discounts, or dealer markups. These funds do not invest in shares of gold mining companies. Rather, they are gold bullion funds (trusts). IAU and GLD are intended to offer investors a means of participating in the gold bullion market without the necessity of taking physical delivery of gold. It's a relatively cost-efficient and secure way to invest in gold.

The trusts' allocated gold bullion is kept in the form of London gold delivery bars (400 oz.) and held in an allocated account. Inspectorate International Limited is currently the independent auditor for World Gold Trust Services and inspects GLD's gold, which is held in a vault at HSBC Bank USA National Association in London, England. The gold is checked twice a year, once at the end of September to correspond with the trust's fiscal year, and once at another point in the year. The September count is a full accounting of the trust's gold bars and the other inspection covers a random sample of the trust's bars. During the audit, the bar number, refiner brand, and purity of each gold bar is checked. The only problems typically found with the bars are typographical errors in record keeping.

The IRS issued private letter rulings holding that the purchase of shares in an exchange-traded fund that owns gold or silver bullion is not the purchase of a collectible. Instead, the investor is purchasing shares of a fund, because the share owner does not have a legal claim on a share of the bullion held by the ETF and cannot force a distribution. Therefore, transactions in bullion ETF shares are treated the same as transactions in corporate stock or mutual fund shares, and they can be owned by an IRA.

Tax note: If you have a traditional IRA and you expect your marginal tax rate will be greater than 28% when you begin taking distributions from your IRA, buy GLD in a taxable account. If not, buy it in your traditional IRA. If you have a Roth IRA, buy GLD in this account regardless of your marginal tax rate. Gains on GLD are taxed at the collectibles rate of 28%.

On the silver front, I would stick exclusively with **iShares Silver Trust** (**SLV**) and the **Central Fund of Canada** (**CEF**) (a closed-end fund split 50/50 gold and silver bullion).

Some investors are interested in platinum. Of the four common precious metals, platinum is the rarest. All the platinum in the world could fit into a decent sized living room. From a durability standpoint, platinum also performs up to the standards set by gold. It doesn't tarnish, and for jewelry applications, platinum is hypoallergenic.

Adding to platinum's allure is the ever-increasing demand for clean air. Automotive catalytic converters need a certain amount of platinum to enable them to clean the toxic fumes from your vehicle's exhaust. Without it, terrible smog and pollution of the Mexico City variety would be the norm in every major city.

Another platinum price booster is the geopolitical risk associated with the locations of the world's reserves of the metal. About 70% of the world's platinum supply is South African. If you haven't been watching the news, you missed stories of riots and fighting at the mines there over the past decade. The other major platinum supplier is Russia, no stranger to political unrest at the moment. The best way to invest in platinum is with the **ETFS Physical Platinum Shares** (**PPLT**) exchange-traded fund.

Now, there are plenty of great opportunities in the markets right now, and I'll keep you posted on these in future issues of *Retirement Watch*. But remember that market conditions can change quickly, so be sure to read *Retirement Watch* from cover to cover.

Owning Gold in Your IRA

Investors are looking for ways to profit from the gold rally. They're seeing a lot of ads recommending they buy gold and silver through their individual retirement accounts (IRAs). You can own gold through your IRA if you comply with the tax code's limits. Not all gold investments can be owned by an IRA. Bullion coins that are legal tender can be owned by IRAs. The coins also must have a 99.5% fineness level. The American Eagle coins qualify, as do some bullion coins issued by the states. Canadian Maple Leafs can be held in an IRA. But South African Krugerrands and British Sovereign coins don't meet the exception. Older U.S. coins, such as Double Eagles mentioned above, also don't qualify. Bullion bars and rounds of gold and silver are also allowed in an IRA when they are of 99.9% fineness. This generally means they must be produced by a NYMEX- or COMEX-approved refinery or a national government mint. Most IRA custodians won't allow you to own gold in their IRAs. They only allow investments in publicly traded securities, such as stocks, bonds, mutual funds, and perhaps options and futures. To own gold, whether in coins or bullion, in an IRA, you need a true self-directed IRA that is offered by a few custodians. You need a custodian because the IRS regulations require that the coins or bullion be in the possession of the custodian. You can't use IRA money to buy the metals and store them on your own. You need an IRS-approved custodian.

You also can't transfer to your IRA coins or bullion you already own. That's a prohibited transaction because an IRA owner isn't allowed to engage in buying or selling transactions with the IRA. To find custodians that offer true self-directed IRAs, you can do an internet search for "gold IRAs" or "self-directed IRAs."

I don't have experience with any of these custodians and haven't received much feedback from readers. You need to search carefully, paying close attention to how long they've been in business, the fees charged, and how they'll buy the coins or bullion for your IRA. You want a custodian that is going to find you a good price and not charge an excessive markup or margin. Also, be sure you know the storage and insurance fees that will be charged. Though the custodian will help, it is your responsibility to make sure any coins or bullion purchased for the IRA comply with the IRS's requirements.

After doing this research, you probably will conclude the gold or bullion and coins shouldn't be owned in your IRA. If you want to benefit from an increase in the price of gold, it's more efficient to own an exchange-traded fund (ETF), such as my recommended **iShares Gold Trust (IAU)** or **SPDR Gold Shares (GLD).**

These ETFs can be bought and sold any time the markets are open. Plus, these ETFs are able to buy, store, and insure gold at a much lower price than you or an IRA custodian can.

Biography

Mark Skousen, Ph. D., editor of Forecasts & Strategies, is a nationally known investment expert, economist, university professor and author of more than 25 books. In July 2018, Dr. Skousen was awarded the inaugural Triple Crown in Economics for his work in economic theory, history and education, and has been identified as one of the 20 most influential living economists.

He earned his Ph. D. in monetary economics at George Washington University in 1977. He has taught economics and finance at Columbia Business School, Columbia University, Barnard College, Mercy College, Rollins College and Chapman University. In August 2022, Dr. Skousen was named the first Doti-Spogli Chair in Free Enterprise at Chapman University for his work highlighting the benefits of economic freedom. He also has been a consultant to IBM, Hutchinson Technology and other Fortune 500 companies.

Since 1980, Skousen has been editor-in-chief of Forecasts & Strategies, a popular award-winning investment newsletter. He also is editor of four trading services, Five Star Trader, Home Run Trader, Fast Money Alert and TNT Trader.

He is the producer of FreedomFest, “the world’s largest gathering of free minds,” which meets every July (www.freedomfest.com). FreedomFest attracts several thousand people from around the world.

He is a former analyst for the Central Intelligence Agency, a columnist to Forbes magazine (1997-2001) and past president of the Foundation for Economic Education (FEE) in New York.

He has written articles for the Wall Street Journal, Reason, The Daily Caller, Christian Science Monitor and The Journal of Economic Perspectives. He has appeared on CNBC, ABC, CNN, Fox News and C-SPAN Book TV.

Based on his work “The Structure of Production” (NYU Press, 1990), the federal government began publishing a broader, more accurate measure of the economy, Gross Output (GO), every quarter along with gross domestic product (GDP). It is the first macro statistic of the economy to be published quarterly since GDP was invented in the 1940s.