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When William Shakespeare wrote *The Merchant of Venice* in the late 16th century, the Venetian gold ducat was the dominant global reserve currency.

If you’re unfamiliar with the play, the story is about a young Venetian nobleman named Bassanio who needs 3,000 gold ducats to woo a beautiful heiress. Having squandered his wealth, Bassanio approaches his friend Antonio for a loan.

Antonio is cash poor but asset rich, so he arranges to borrow the sum that his friend requires from a local Shylock. The Shylock agrees on the condition that he collects a pound of Antonio’s flesh in the event of default.

Needless to say, Antonio’s fortunes turn for the worst and he defaults on the debt owed--3,000 ducats. The play climaxes with a court scene in which the Shylock seeks to enforce his bond and collect the pound of flesh from Antonio. (“Why dost thou whet thy knife so earnestly?”)

A ducat’s weight is roughly 3.5 grams, or .11 troy ounces of gold weight. So in 2020, 3,000 ducats would now be worth about $565,000.

In the context of the play, this amount makes sense; in other words, if one were to write an updated version of the play to today’s standards, substituting just over half a million dollars for 3,000 ducats would definitely fit the plot.

It’s an interesting example of how well gold has held its value; the play is over 400 years old, written decades before the first colonists arrived to the New World, and centuries before the introduction of the US dollar.

During this time, the gold ducat coin was an internationally accepted medium of exchange,
widely used in trade across Europe, the colonies, and the Ottoman Empire until the early 20th century.

The ducat began circulating in earnest in the late 1200s, so the coin’s status as a global reserve standard lasted nearly three-quarters of a millennium… a remarkable track record! Before the ducat, the Byzantine solidus gold coin held that status for the previous 800 years.

The reason for such unparalleled longevity is simple-- throughout the centuries, these coins maintained their gold weight, and hence the purchasing power for those who held them. When governments began playing games and debasing the coins, they were quickly dropped as an international standard.

It’s the same story with the US dollar today.

Foreigners have been paying close attention to the Federal Reserve’s last money printing binge-- trillions of new dollars within a couple of months. The world’s most important central bank is violating its charter to preserve the value of the currency.

It’s bad enough that the dollar is merely a worthless piece of paper. The rest of the world begrudgingly submitted to this standard, trusting that the US would not abuse its authority to debase the currency.

As it turned out, this trust was severely misplaced. And over the past decade, the trillions of new dollars have helped create highly inflationary conditions in just about every developing country on the planet, from Indonesia to Sri Lanka to Botswana to Venezuela.

History’s lesson is quite simple-- when the issuing authority of the world’s reserve currency engages in wanton debasement, the market seeks an alternative.

This time is not different, and the dollar will suffer the same fate.

The transition won’t happen overnight. But we’re much closer to the sunset of the dollar’s reign than we are to its beginning. Who knows-- the dollar may very well confound us and experience a surge in value over the next few years.

But then, just like how Ernest Hemingway described the process of bankruptcy in *The Sun*
Also Rises, the dollar could drop in value gradually, and then all at once.

It’s foolish to attempt to perfectly predict the dollar’s collapse. More than likely, you’ll be wrong.

Instead, the sensible course of action is to plan for this trend by trading out paper currency for real assets. Precious metals are among those real assets that hold value over time.

My team and I wrote this comprehensive report on precious metals to help: 1) educate you on the value of precious metals, and 2) urge you to at least consider buying precious metals today. (Please note that at Sovereign Man, we only sell research. We’re not a precious metals broker, and we receive no compensation, individually or as an organization, from gold dealers.)

We cover the gamut of precious metals in this report, so read on and enjoy. And again, we highly encourage you to use this information and take action to best protect your wealth in these highly uncertain times.

WHY OWNING PRECIOUS METALS MAKES SO MUCH SENSE TODAY

A lot of people think that gold and silver are there to provide a return on investment.

And with the current economic trends and fundamentals, gold may very well end up being a lucrative investment. But that’s not the primary reason why you should consider buying precious metals.

(There are better ways to profit from the price movements than buying physical gold and we cover them further down in this report.)

Fundamentally, I don’t view physical gold and silver as an investment.

I’m not interested in exchanging dollars for physical gold or silver, only to exchange the metals for more dollars at some point in the future.

Gold (and silver) is a form of savings that exists outside of the conventional system.
Just like you protect your house with home insurance and your family with life insurance, precious metals are there as an insurance policy to preserve your wealth in chaotic times.

Gold is an anti-currency. It’s a kind of asset that you own because you don’t have confidence in the paper currency issued by central bankers and spent liberally by governments.

So the primary reason I own gold is…

#1: Because of all the “I don’t knows” in today’s world

I own gold for all the “I don’t knows.”

And there’s certainly no shortage of “I don’t knows” today:

- Will the coronavirus return with a vengeance, create rolling waves of infections and cause governments to go on indefinite lockdown? I don’t know.
- Will economies ever recover from the events of 2020? I don’t know.
- Will global trade ever ramp back up again? I don’t know.
- Will nationalism continue to rise around the world, and with it, increasing geopolitical tensions? I don’t know.
- Will the US and China start a shooting war? I don’t know. (A cold war between the two countries has likely already started.)
- Will the US default on its $1.1 trillion of Chinese-owned debt? I don’t know.
- Will the US default on the remainder of its enormous (and growing) $25+ trillion of debt? I don’t know.
- Will Social Security inevitably default on pensioners? I don’t know.
- Will Social Security be insolvent before 2035 (the date that the Social Security Trustees currently project)? I don’t know.
• Will the US dollar remain the world’s reserve currency for 20 more years? 10 more years? *I don’t know.*

• Will financial markets continue to abandon all fundamentals and any semblance of value? *I don’t know.*

• Will unprecedented money printing and lower economic output cause inflation? Stagflation? Hyperinflation? *I don’t know. I don’t know. I don’t know.*

By being 100% in dollars (or euros, pounds, etc.), you are effectively saying, “*I DO know exactly what’s going to happen in the future. Everything is going to be fine forever, so I don’t need to hedge myself even one bit.*”

That’s a pretty lofty bet. Sure, the world is not coming to an end. Humanity has been through much worse than this (more severe plagues, world wars, famine, etc.).

But the beginning of 2020 should tell you that everything is definitely *not* fine with the global economy, financial markets, social tensions, etc. And since none of us can predict what else is ahead of us in 2020 (and beyond), gold is there for the “I don’t knows.”

If you have doubts about your country’s financial future, if you’re seeing the massive amount of paper currency printed by central banks, if there’s a voice telling you that you should find a way to secure your wealth… then now is the time to explore buying some gold and silver.

Again, gold and silver are the anti-currency, a unique asset class that can help you weather the current storms. That’s because precious metals have inherent value and no so-called counterparty risk...

**Physical gold and silver have no counterparty risk**

When you deposit money into your bank, that money is no longer yours.

Sure, you may log on and see your bank balance. But the bank doesn’t have your money segregated and safely stored in its vault. The second that you deposit your money, it goes out the door to buy bonds and make loans, sometimes to people with less than stellar credit.

This is how the system works; your money keeps getting passed around, which means there’s an entire daisy chain of other people, or counterparties, standing between you and your savings.
“Counterparty risk” is the risk that something goes wrong with one of the many, many counterparties in this daisy chain.

When the system is functioning normally, usually institutional counterparty risk is low.

But, as you know, these are far from normal times. As early as this year, we'll begin to realize the damaging effects of the government shut downs.

Between mortgages, credit card debt, business loans and government debt, the world has amassed $250 TRILLION in global debt. The debt continues to mount, and it must be paid back. But with many businesses generating, at best, reduced income, or at worst, zero income, over the past few months, we could be staring at a wave of defaults later this year.

Many large retail chains, which were already struggling in the age of e-commerce, will likely declare bankruptcy. Countless businesses around the world ‘temporarily’ closed due to public health policies, and many of them will go out of business entirely. Millions of people have lost their jobs and are unable to make payments on their credit card debt, auto loans, and even mortgages.

If that appears like a lot of counterparty risk, it is. Your cash, supposedly sitting at the bank, could be locked up in a stranger’s loan that’s about to be defaulted on.

But the biggest counterparty risk you’re facing is paper currency itself, and specifically, the US dollar...

Nearly everyday, the Federal Reserve (and other central banks around the world) conjures more paper currency out of thin air-- paper with absolutely zero inherent value.

If central bankers can print paper currency ad nauseum, what do you think happens to the future purchasing power of those dollars, pounds, euros, yen, etc. in your pocket?
They’re all going down. Actually, over the long-term, ALL paper currencies are plummeting in value. Central banks are basically stealing your future purchasing power, your children’s future purchasing power, and so on.

And the Fed is leading the charge.

A current group of 10 individuals-- all unelected bureaucrats and mostly academics with no real-world business experience-- makes crucial decisions about how many dollars to print. Do you think they’re looking out for the little guy, or are they trying to preserve the system, which largely benefits banks and financial institutions?

All that’s holding the US dollar-based system together is trust and confidence. But what happens when the world no longer trusts the Fed to maintain the long-term value of the dollar?

In other words, if most of your wealth is based in dollars, are bankers and central bank bureaucrats the kind of counterparties you want to completely trust? Or is there a way to diversify some of your wealth out of digital dollars held at a bank?

Physical cash eliminates a LOT of your counterparty risk.

You actually hold physical cash in your hands. Unlike bank deposits, cash is not simultaneously someone else’s liability. And should an emergency arise, you can buy what you need-- people tend to prefer physical cash in times of crisis.

But cash cannot preserve your long-term purchasing power. The value of cash stored in your home safe can eventually be frittered away by central bankers.

Gold and silver, on the other hand, are the anti-currency, your solution to counterparty risk.

Physical precious metals are not digits on a screen that can be added, subtracted, inflated away, or borrowed against. They derive value from rarity, rather than pure trust. Federal Reserve officials-- your counterparty nemeses-- have not yet figured out how to print more physical gold and silver.

And besides counterparty risk, precious metals are the one asset class that has held its value over millennia…
Gold is reliable, holding its value over THOUSANDS of years

Paper currencies come and go. They get devalued, revalued, and extinguished altogether.

How much would you be able to buy today with paper money issued by the 7th century Tang Dynasty? Nothing. It no longer exists. Or a pound sterling from 1817? Very little. It’s barely pocket change today.

In fact, since 1700, between hyperinflations, wars, countries’ declarations of independence, new currency blocs, or replacements or discontinuances, **over 650 paper currencies have come and gone.** That’s, on average, a destruction or replacement rate of roughly two currencies per year... for over 300 years.

Meanwhile, through all of these dislocations, notwithstanding a few dozen years, gold has been a reliable form of savings. Yes, day-to-day, month-to-month, and year-to-year, the price of gold can fluctuate inexplicably.

But over the long term, whether you’re comparing loaves of bread, home prices, or government tax revenue, gold, unlike paper currencies, REALLY holds its value.

So with that in mind, the idea of trading in your paper currency for gold, hoping to trade it back for more paper currency at a later date misses the point entirely.

That’s why I think that everybody should consider owning precious metals. Again, not as an investment or speculation, but as a form of savings that exists outside of the conventional system.
Gold and silver are an essential part of what we at Sovereign Man call a “Plan B.”

A Plan B is what rational people have in place— a personalized insurance policy that increases your freedom, helps you make more money and save money in taxes, and protects your assets.

No matter what’s happening (or not happening) in the world, a Plan B makes a lot of sense.

It’s hard to imagine you’ll be worse off for saving thousands in taxes each year, investing in deeply undervalued businesses that are poised for growth, or ensuring that a portion of your wealth is preserved in precious metals, stored both securely in a safe at home and abroad.

As I mentioned above, I’m not sure just how much that central banks will print in the coming years. I’m not sure if some economies stand a chance at recovering. And I’m not sure if we’ll have increasing geopolitical tensions around the world, possibly even a major war.

But with a Plan B, I don’t have to anticipate every single scenario.

I can be prepared. And you, too, can be prepared with a Plan B, which includes owning precious metals.

But the time to assemble a Plan B is right now, before even more chaos hits and while you’re still thinking clearly. I’m confident that if you act decisively, you’ll be glad to have had the foresight to own precious metals. And again, owning precious metals is just one of many, simple strategies you can implement to increase your freedom.
#2: The value of precious metals increases when governments go on money-printing sprees

Despite the name, the Federal Reserve isn’t sitting on massive cash reserves.

Actually, like most central banks, the Federal Reserve is woefully undercapitalized. The bank’s equity, or “capital” in banking terms is less than 1% of its total assets.

So, to pay for all these assets it acquires (Treasury bonds, mortgage-backed securities, etc.), the Fed conjures digital money out of thin air.

From the Federal Reserve’s founding in 1913 until the 2008 Global Financial Crisis, the Federal Reserve’s balance sheet grew from $0 to about $800 billion.

Then, in about six years, the Fed’s three “quantitative easing” programs-- just a fancy word for money printing-- took its balance sheet from $800 billion to about $4.5 TRILLION.

In the late 2010s, the Fed’s balance sheet tapered off, but only marginally.

And then in March 2020, the wrecking ball known as COVID-19 hit the United States.

Over at the Fed, they were hard at work, too.

In just over two months, the Fed went on an asset buying binge, growing its balance sheet from just north of $4 trillion to over $7 trillion. That increase rivals the increase in the three previous rounds of money printing COMBINED.

**And for more perspective:** A balance sheet increase that took 95 years (1913 to 2008) has now been eclipsed by 4X… again, in just over two MONTHS.

The Fed is completely unhinged. They’re buying TRILLIONS of dollars of assets with money created out of thin air. By the time this round of money printing is over, their balance sheet could be $10 trillion, $15 trillion or more.

That means at a time when the economy has stalled, an unprecedented amount of money is chasing after fewer goods and services.

As economist Milton Friedman famously said, “Inflation is always and everywhere a monetary phenomenon.”

If you expect that the Fed will continue to conjure trillions of dollars— even tens of trillions of dollars— out of thin air and that the US government will further ramp up its epic spending, then this scenario may translate into much higher price inflation.


And as prices climb, this should change consumer behavior. People will trade dollars for real goods as quickly as possible, which might further fuel higher consumer prices, which could create even more demand, which could increase consumer prices, and so on...
When investors begin to understand that price inflation is not just due to a temporary reduction in goods and services, but is here to stay, then their behavior should change, too. A giant wave of capital should vacate overvalued assets and enter the precious metals space, dramatically increasing these prices.

Yes, gold is inching towards its all-time high of $1,900 per ounce. (Silver is still far off, about $1/3 of its all-time high.) But if investors are desperately wanting to protect a portion of their savings, costs may be thrown out the window… even with gold shooting through the roof and making new highs.

As gold returns to near all-time highs, there might be some selling and pressure on prices. There are lots of people out there who will gladly exchange their gold for more dollars. Again, I'm not one of them. But once gold again hits near $1,900 per ounce, I fully expect some of those who purchased gold back in 2011 near the record high will finally liquidate their positions.

But there's no rule that says gold cannot rise above $1,900 per ounce. And there's no rule that silver cannot again reach its high of near $50 per ounce.

Never before in the history of the Federal Reserve have we seen such vast money printing in such a short time. All signs point to another historic run for gold and silver.

**A similar setup to post-2008, when precious metals went parabolic**

Let’s be clear: I don’t buy physical gold and silver to make money. I buy gold and silver to get out of paper currency.

But if you believe, as I do, that the price of precious metals will substantially rise, it’s a good idea to secure your metals today.

We saw the rush into precious metals back in 2008, shortly after money printing started…

In just a few years, gold had an incredible run when it went from $716 to $1873.70. That's a return of over 2.6x.

During the same time, silver went from $9.29 to $48.58. That’s an increase of over 5.2x--twice as much as gold’s increase.
Already, more astute individuals are flocking to precious metals.

In fact, when COVID-19 started, some people were so desperate to acquire silver that they paid more than DOUBLE the spot price (the current price that silver can be bought or sold for).

Demand likely won’t subside in the near future. And when you consider the limited amount of above-ground supply, prices might be headed much higher.

If you’re already a member of our flagship international diversification service, Sovereign Man: Confidential (SMC), you have access to hundreds of in-depth intelligence reports outlining similar strategies, such as…

• Why banking is not as risk-free as most people think and two simple solutions to safeguard your savings outside the traditional banking system (that are NOT gold related)

• Five possible economic scenarios for our COVID-19 world and what you can do today to profit from them

• Monthly Q&A on various topics, including my recent take on:
  - Assets that will perform well in a hyperinflationary scenario
  - Considerations for investing in farmland
  - The inevitable transition to a cashless society, and how you can prepare
  - The future of cryptocurrencies in a post-COVID-19 world
  - And many more…
#3: Limited supply vs growing demand

Any Economics 101 student can tell you what happens to prices when a market faces limited supply and growing demand.

Of course, prices will rise. And if nothing changes, prices can rise spectacularly.

That’s the current environment for precious metals. There’s only so much above ground supply. Simultaneously, demand has substantially picked up.

And precious metals are far different from another market, like, say, a manufactured good. If required, manufacturers can ramp up supply to meet market demand. But there are just so many large gold and silver discoveries in the world, and finding new ones has proven to be exceedingly difficult over the past 15-20 years.

First, we’ll address the global demand for gold...

Central banks’ gold demand is growing

In 2019, central bank gold demand was 650.3 tonnes-- the second highest level of annual purchases in 50 years.

Last year also marked the tenth consecutive year of net central bank gold purchases.

China increased their gold reserves by 95.8 tonnes over the first nine months of 2019, bringing their total gold reserves to 1,948 tonnes. Russia added 158.1 tonnes in 2019, giving them a total of 2,219 tonnes.

But it wasn’t just the big players that sustained demand. Fifteen central banks added at least one tonne of gold in 2019.

There are a few obvious reasons behind that.

Even before COVID-19 and the epic money printing that followed, there was no currency in the world with strong, long-term fundamentals. If you’re a central banker, why would you add reserves of dollars, euros, pounds, etc. when you can instead load up on gold?
These individuals understand that the finances of major governments are not improving.

For example, the debt of the US federal government recently reached $25 trillion. And the US is easily facing $3 trillion annual budget deficits. That has a serious impact on the ability of the US government to repay its obligations to foreign creditors.

At the same time that central bank gold demand is soaring, supply is severely constrained.

**Miners are finding less and less gold**

When commenting on gold supply in the coming years, legendary mining executive and billionaire Pierre Lasonde said:

> If you look back to the 70s, 80s and 90s, in every one of those decades, the industry found at least one 50+ million-ounce gold deposit, at least ten 30+ million ounce deposits, and countless 5 to 10 million ounce deposits.

> But if you look at the last 15 years, we found no 50 million ounce deposit, no 30 million ounce deposit and only very few 15 million ounce deposits.

> So where are those great big deposits we found in the past? How are they going to be replaced? We don’t know.

Other mining executives have warned that we’re at peak gold.

But here’s where things get interesting: Natural resources are cyclical. They go through extreme periods of BOOM and BUST.

> When gold prices are high, major mining companies scramble for new discoveries.

> Eventually when they start mining those deposits, though, the supply of gold increases, pushing prices down.

> As the price falls, the miners’ profit margins fall, which causes investors to lose interest and the miners to reduce production.

*Waihi Gold Mine in New Zealand*
This causes supply to fall, prices to increase, and the cycle starts all over again.

**From first discovery, it takes 10 or more years to bring a mine into production.** And with rock-bottom prices for the last decade and investors largely abandoning mining companies, they pared back their exploration budgets. In fact, by the end of 2016, exploration budgets hit an 11-year low.

**And miners cannot ramp up production quickly enough**

Even if the gold price soars to $2,000 or higher, mining companies will be playing catch up.

There’s no light switch that they can flip and instantly bring more gold into production. Those years of lost exploration, which could have been producing mines today, are forever gone.

So, with less exploration eventually translating into lower supply, and again with increased demand, over the long-term, gold prices have only one way to go: Up.

And that’s before the world loses confidence in the paper money system.

The latest increases in government debt are likely just a warmup round. We could see a parabolic rise in the coming years.

And the size of all that debt will be exacerbated by plummeting tax revenue. The US government will have to print more dollars just to service all the debt than it will create.

At some point, as investors look around and see mountains of new debt and toilet paper for currency, they’ll seek better options. Demand from institutions and investors will go through the roof.

And again, the global gold supply will not be there to meet the demand. Not next year, not the year after, not five years from now.
CONCLUSION

What other asset class covers you for all the “I don’t knows” in our world, has been a proven store of value for 5,000 years, has no counterparty risk, can protect your wealth from out of control central bank money printing, and has very favorable supply and demand fundamentals for the foreseeable future?

Only gold (and silver) can tick off all these boxes.

If you think of governments and central banks as the poison that’s attacking your wealth, precious metals are the antidote. They’re an insurance policy against the current, unsustainable monetary and fiscal madness that we’re living through.

Next, I’ll discuss how to translate the idea of precious metals as an insurance policy into reality. Because action is what counts.

If you have some hesitations about purchasing gold or silver, read on to discover more about their pricing, gold and silver bars versus coins, and how to securely store your metals.

Plus, I’ll tell you how to judge if your precious metals holdings are sufficient, or if you might have too much.

If you look at the data, it’s very clear that gold and silver prices should increase.

In fact…

- There is a very strong case that the price of gold could double
- There is an even stronger case that silver could quintuple
- But even without these type of gains, it makes a lot of sense to have some gold and silver as a hedge against today’s financial and monetary chaos

We’re not guaranteeing that precious metals prices go to the moon. There are always unforeseen risks. But completely relying on paper currencies creates, in our view, far greater risks than precious metals.
HOW TO OWN PRECIOUS METALS AS AN INSURANCE POLICY

Again, if it’s possible that we see endless money printing, if governments continue to run massive deficits, if geopolitical tensions simmer over, if domestic social tensions hit an apex…

Then a smart move is to diversify a portion of your wealth into precious metals, the anti-currency and hedge against all the “I don’t knows” that we’re facing.

From what I’ve covered above, you should now understand the fundamental reasons to own precious metals. The “why.”

Now, it’s time to learn the “how”-- how you can own precious metals as an insurance policy.

Purchasing “paper” vs “physical” precious metals

The first decision you are going to have to make is whether you hold “physical” or “paper” precious metals.

Physical precious metals are just that: they’re tangible, durable commodities that you own and control.

There’s no counterparty risk. If someone were to accept gold or silver as a medium of exchange (as people used to do), you could exchange your precious metals for something of value-- a house, a business, etc.

When you buy an American Eagle or Canadian Maple Leaf gold coin at a nearby coin shop, you’re participating in the physical market, trading dollars, euros, yen, etc. for gold.

When we talk about “paper” precious metals on the other hand, we generally refer to financial instruments that expose you to the price movements of gold and silver or give you claim to the underlying metal.

There’s a large variety of instruments, like the futures markets, gold held in an exchange-traded fund (ETF), or gold “bank accounts”.
What differentiates the paper market from the physical market is that you only have a claim with a counterparty to the metal or are just exposed to the price movement, but don’t actually own the physical gold itself.

Before we examine which type of ownership is right for you, let me explain...

**How the price for “paper” precious metals is determined…**

The “official” price of gold and silver is called the “spot price” and it’s mainly derived from commodity exchanges in London and Chicago, home to the world’s most important gold and silver futures market.

A gold future is a contract between a seller and a buyer to trade a certain amount of gold at a predetermined price at some point in the future.

Historically, such contracts had a very specific application: miners used them to lock-in gold prices today for metal that they would pull out of the ground several months in the future (hence the name). Futures contracts made their businesses much more predictable.

A gold futures contract is based on a 100 oz gold bar with a minimum fineness of 995 (99.5%). (Fineness refers to the weight of the fine metal itself, in proportion to any impurities or alloy metals in the bar.)

A silver futures contract is represented by a 5,000 oz silver bar with a fineness of at least 999 (99.9%).

Today, such contracts change hands over and over again among miners, traders, speculators, banks, hedge funds and pension funds. This constant activity contributes to gold’s sometimes volatile price.

But while the gold price can quickly change, most of the underlying gold does not change hands.
In fact, only a tiny portion of these contracts ever result in physical delivery. Usually, investors have no intention of taking possession of the gold. Most simply close their positions well before the contract’s settlement date.

This is where the “paper” spot price of silver is determined. It’s the intersection of what buyers agree they are willing to pay for a contract on the futures markets and the price at which sellers are willing to sell.

**How the price for “physical” precious metals is determined…**

Physical gold and silver usually trade at the spot price from the futures market, plus a markup to account for the cost of minting, transporting and storing of the precious metal.

The markup is called the “premium” and varies based on the type of metal you buy. Coins, for example, usually have a higher markup than bars.

And while the physical price usually follows the spot price very closely, it’s not uncommon for the price of the physical metal to significantly diverge.

When COVID-19 broke out, for example, the price on the futures market dropped, because traders rushed to sell all their assets (including gold and silver futures) to gain liquidity. Basically, as with most market panics, the price of every asset class fell as investors rushed to the exits.

Simultaneously, as investors fled from futures contracts, they headed to the physical precious metals market. Investors were spooked by all the uncertainty in markets and the safe-haven of physical gold and silver made a lot of sense.

Quickly, demand outpaced the supply and precious metals dealers around the world increased the markup at which they were willing to sell.

While silver bullion coins normally trade at around a 15-20% premium, after COVID-19 it was not uncommon to see people paying 50% or even more than 100% above the spot price.

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**FURTHER RESOURCE**

How to buy physical silver at 30-100% less than everyone else
So which type should you own…

The fact that prices can diverge in moments of crisis is exactly the reason why we encourage you to first consider owning real, physical precious metals over paper financial instruments.

A financial instrument is just an “I owe you”. It’s the promise of someone to deliver you the precious metals. In no way does a futures contract guarantee that you will obtain the physical precious metal that underlies the contract.

When you buy a gold or silver futures contract or an exchange-traded fund (ETF) that holds precious metals, you inevitably create counterparty risk. And the whole point of owning precious metals is to own an asset with no counterparty risk.

Again, the REAL price of physical gold and silver today isn’t the spot price determined by traders in Chicago or London. It’s the street price determined by your local coin shop or online precious metals dealer.

Should you buy gold, silver or both?

In the book *Money & Wealth in the New Millennium*, author Norman Franz wrote, “Gold is the money of kings, silver is the money of gentlemen, barter is the money of peasants – but debt is the money of slaves.”

I’d make one edit to Franz’s quote: Although not reserved solely for kings, gold can protect your wealth, as it has royalty’s wealth for thousands of years.

Your first inclination might be to run to gold. After all, at current prices measured in US dollars, an ounce of gold can capture about 100x the value of an ounce of silver. If you have a lot of wealth to protect, gold is the obvious choice.

But I don’t see precious metals as an either/or proposition.

Both gold and silver have a place to protect your wealth. Many societies throughout history
have used both as media of exchange.

If we experience a severe and prolonged financial crisis (or the continued loss of faith in governments and their abilities to manage fiat currency), the market will likely return to gold AND silver.

We could see a situation in which gold would be valuable for large purchases (homes, businesses, etc.), while silver is best suited for everyday transactions.

When you desperately need smaller denominations of silver, like ¼ or ½ ounce coins, you don’t want all your wealth locked up in one ounce gold coins.

I don’t pretend to know what the future holds, and with countless permutations that cause other permutations and so on, it makes sense to prepare for a wide range of contingencies.

Having both gold and silver can help you navigate what may be ahead. Even if there isn’t a severe economic meltdown, there’s no downside to owning both gold and silver.

It’s not like you’re holding on to a bunch of Costa Rican colóns or Bangladeshi takas, which basically only have value within those two countries.

Because if you ever absolutely need to, you can set foot in just about any coin dealer in the world and exchange both gold and silver US Eagles, Canadian Maple Leafs, Austrian Philharmonics or South African Krugerrands for physical cash.

**Silver is more volatile, but potentially more profitable**

If you’re buying gold and silver coins, you will need to tolerate some volatility, especially for silver.

Silver is an industrial metal that’s used in a variety of applications (electronics, solar panels, etc.), so the price is dependent upon both the industrial supply and demand and the monetary component.

In times when gold decreases in price, silver usually plummets. But when gold goes up, silver typically offers a much bigger upside.
Remember what I wrote earlier: Back in 2008 after the Global Financial Crisis, gold experienced an incredible run, increasing from $716 to $1873.70, or an over 2.6x return.

During the same time, silver jumped from $9.29 to $48.58, a 5.2x increase-- twice as much as gold’s rise.

But remember, with physical precious metals, your goal should be to own the metal. Period. I have no interest in buying gold, only to exchange my gold for more dollars in the future.

(Extremely volatile gold mining stocks or options on futures, which we’ll cover below, are ways to capitalize on higher gold prices and obtain more dollars, euros, etc. in the future.)

**At the moment, silver is very cheap compared to gold**

You should, however, as with any asset class, focus on value. I think that gold still certainly offers value, especially considering the trillions of new dollars conjured over the past few months. But silver is really where you can find value.
Consider the gold-to-silver ratio— the number of ounces of silver it takes to buy one ounce of gold. For the past 35 years, the gold-to-silver ratio has largely been anywhere from 50 to 80.

In the past 100 years, silver has flirted with the 100:1 ratio to gold several times, but it never broke through… until COVID-19.

![Gold-To-Silver Ratio Since 1985](image)

As you can see in the chart above, in March 2020, the gold-to-silver ratio widened all the way to over 120, indicating that relative to gold, silver was EXTREMELY undervalued...

Since March 2020, the ratio has come down to around the 100:1 mark. But by historical standards, that’s still very cheap.

**Use the gold-to-silver ratio to grow your ounces over time**

I expect the gold-to-silver ratio to return to its normal 50-80 range… and maybe even lower. For example, in 2011, at the end of the last silver bull market, the ratio went down all the way to 35.

That means you have an incredible opportunity to take advantage of the gold-to-silver ratio and grow your precious metals stack.
If you believe, as I do, that silver is undervalued compared to gold, then you can mostly buy silver over gold at the moment. And if you’re inclined, you can trade a portion of your gold for silver.

Let’s say that in the coming years, gold really takes off in US dollar terms. And let’s imagine that silver has an even better run, dropping the gold-to-silver ratio to 35:1. At that point, silver would be historically overvalued relative to gold.

And that would be a great time to concentrate on buying more gold than silver. You could also trade overvalued silver for undervalued gold.

If over decades you keep repeating this process, focusing on the relative value of the two metals, and exchanging the overvalued metal for the undervalued one, then you can amass substantial precious holdings.

You need BOTH gold and silver to make this happen.

But remember, that’s not the only reason to hold both metals. Gold is the typical go-to asset during a crisis, but if economic conditions deteriorate, you’ll be glad that you have some physical silver as well.

It makes sense to hold some gold AND silver as part of a healthy asset allocation plan.

**Should you buy coins or bars?**

Like the gold versus silver debate, I don’t view holding coins versus bars as an either/or proposition.

There are some factors to consider…

**1. Premiums and storage costs**

Generally, coins have higher premiums, especially silver coins.
You'll find 10 ounce, 100 ounce and 1,000 ounce bars. Compare the value of these bars to 1 ounce silver coins. Obviously, as a percentage of the total value, the cost to mint coins is much higher than silver bars, which explains the higher premiums.

But don’t let higher premiums keep you away from silver coins.

Another consideration is where you’ll be storing your metals.

If your metals will be stored in a vault, what’s the storage price relative to your holdings? Do you want the convenience of coins, which cannot hold as much value as bars?

Or is it more important for you to buy bars that can hold more value but require a professional weighing and assaying by experts?

2. Recognizability

Almost every country offers their own mintage of gold bullion coins.

You could buy a gold coin from Slovenia. But when you try to sell it, you may run into problems. For example, in many countries around the world you can buy and sell gold coins at a bank, but usually only a few well-known coins.

If you tried to sell your Slovenian coin, you may have trouble finding a buyer or may have to accept a lower price.

On the other hand, if you try to sell a Canadian Maple Leaf, the world’s most popular and recognized gold coin, you’ll likely easily find a buyer no matter where in the world you are--including Slovenia.

As for other specific gold and silver coins, we recommend that you start with bullion coins. Here’s a list:

- US Eagles (gold and silver)
- Austrian Philharmonics (gold and silver)
- South African Krugerrands (gold only)
3. Purity

You also want to consider the coin’s purity, or percentage of gold content out of the entire coin’s metal content. Lower purities can sometimes incur a customs duty when you’re shipping coins internationally.

An American Gold Eagle, while very popular around the world, is only 91.67% pure—91.67% of the coin is made up of gold. A South African Krugerrand is also 91.67% pure.

But both the Austrian Philharmonic and Canadian Gold Maple Leaf gold coins are 99.99% pure, making these among the purest gold coins in the world. And between these two, my preference is the beautiful Canadian Maple Leaf.

The Canadian Maple Leaf gives you very high purity and is recognized in any coin shop around the world, just in case you ever need to sell a coin or two.

4. Bullion versus collectible coins

Also called numismatics, collectible coins obtain their value because of the rarity.

A famous example is the $20 Saint Gaudens “High Relief.”

When President Theodore Roosevelt decided he wanted America to have the most beautiful coins in the world, he commissioned a famous sculptor, Augustus Saint Gaudens, to design them.

For the $20 coin, St. Gaudens designed a very deep, or “high,” relief for Miss Liberty on the front and for the Eagle on the back or obverse side.

The US Mint struck about 11,200 coins but realized how difficult it was to force the gold deep into the die. It was nearly impossible to mint a coin that would be considered fully struck.

And even when the coins were struck to perfection, the relief was so high that the coins
would rock when stacked on top of each other. So, the Mint then hired Charles Barber to redesign the coin to the flatter design seen on all the other $20 Saint Gaudens.

The original High Relief coins currently contain about $1,700 of actual gold value. But the higher quality versions of those coins have sold in the past year for $31,200 to $58,750.

Still, that’s nothing: One 1933 $20 Gold coin sold at auction about 12 years ago for around $9 million dollars.

**But if you’re just starting out in precious metals, you should focus on bullion coins.**

Remember, you are buying precious metals as an insurance policy against all the “I don’t knows”. And the insurance primarily comes from the actual gold content in your coins.

While collectible coins also have value because of their metal content, the biggest determining factor in their price is their rarity. After all, the US Mint isn’t churning out any more $20 Saint Gaudens “High Relief” coins.

But the demand for numismatics is much lower than the demand for gold and silver bullion. Less supply and less demand means a smaller market. Plus, within this smaller market there are countless online fraudsters out there, ready to pounce on new, uninformed numismatic buyers.

Once you have sufficient bullion, if you can devote the time to educate yourself on numismatics, and if you can find a very reliable, trusted coin dealer, then you can consider dabbling in the collectible side of the market.
If you do want to explore collectible coins...

That market is on fire right now, too.

If you enter collectibles at the right time (when demand is much lower), you can find a deal.

But now’s not an ideal time to wade into collectibles. A couple of months ago, one of my team members called my friend and renowned coin expert, the guy who literally created the standard for grading and pricing collectible coins. Even early in the morning, his phone was ringing off the hook, with buyers desperately wanting numismatics.

This increased demand has caused the premium on many collectible coins to rise.

And demand has remained high, along with premiums. Just before we published this report, my friend told us that the premium on a Mint State (MS) 63 $20 St. Gaudens gold piece is about $215-$245 above the spot price. (Mint State coins are the highest-quality numismatics, ranging from MS-60, one that is covered with marks, to MS-70, a flawless example.)

That’s a steep premium.

Still, if you believe that gold has much higher to run, you could buy some collectibles and you might capture price appreciation in TWO ways-- due to the increase in gold prices, and due to the increase in the rarity... if the collectible market stays hot, that is.

My preferences

With all that said, my preferred way to own physical gold is to buy coins.

And for silver, I think it’s important to have both bars AND coins. Bars stored abroad. And coins stored in your home safe.
For both, I prefer the Canadian Maple Leaf due to the high purity and worldwide recognition.

It makes sense to hold silver coins at home, again, in case there are severe financial troubles and you need small denominations of precious metals for everyday transactions. Silver coins will be a much more convenient medium of exchange than larger silver bars.

And, in my opinion, silver bars are best for vault storage in stable, overseas jurisdictions. You'll find that the purchase and storage premiums for silver bars are considerably less than for silver coins.

**How to store your precious metals**

It's important to remember, it takes a lot more space to store $5,000 of silver than it does $5,000 of gold.

So, consider how you will store your gold and silver… well before you buy.

**Storing precious metals at your home**

If you’re planning to store some gold and silver at home-- and again, holding at least some precious metals at home is a wise move-- then you obviously need to protect your metals from fire and thieves.

There are all sorts of home safes on the market. From big-box stores or local companies. From cheaper options to top-of-the-line models. Offered in all sizes. There’s something for every budget and your needs.

When shopping for a home safe, consider (and if possible, test) these vulnerabilities:

**1. The safe’s body**

How to test: First, lock the door. Take a small pry bar and at waist-height stick it in the crack between the door edge and body frame. You
may see the safe body flex away from the door up to ½ of an inch.

If the door moves, this doesn’t necessarily mean someone can pry open the door. But, the larger the gap between the body and door, the greater the likelihood someone can leverage the door out.

2. The safe’s door reinforcement

Some safes don’t have door reinforcement. The door is just 12-gauge steel with no support structure inside the door frame.

How to test: Place your foot on the outside lower corner of the door. Then, grab the outside top corner of the door and pull.

Without reinforcement, the door will flex 6-8 inches. And this is with your hand and foot. A pry bar will open it further.

3. The safe’s bolts

The bolts may be a security illusion. If the safe’s door and frame are not reinforced, the bolts will snap under pressure.

Bottom-line: If the body, door or bolts are not reinforced (or are weak), the safe will fail.

Also, for even more protection, consider bolting your safe to your home’s floor or foundation in your garage. Some safe specialty companies will do this for you, as part of the delivery package.

Once you have adequate holdings at home, locked away securely in a safe that you can count on, then you should consider storing a portion of your precious metals abroad.

The benefits of storing precious metals overseas

Depending on how much gold you own, you might not want to keep hundreds of thousands of dollars worth sitting in your home safe, no matter how secure it is.
Plus, gold stored at home potentially gives the government a big honeypot. We could see a draconian government order attacking gold ownership.

Most Americans are unaware of this, but in the 1930s, Executive Order 6102 signed by President Franklin D. Roosevelt outlawed private citizens from owning gold. The Order forbade “…the hoarding of gold coin, gold bullion, and gold certificates within the continental United States.”

Once the Executive Order was enacted, owning gold became a federal crime, punishable by ten years in federal prison and a $10,000 fine; no individual, partnership, association, organization, or corporation could possess monetary gold, in any form, for any reason.

The Order commanded all US citizens to, at once, relinquish the gold they rightfully owned to the US government.

Citizens were then given paper dollars for their gold, at a price of $20.67 per ounce. When all the gold was collected, FDR immediately devalued the dollar by reissuing the price of gold at $35 an ounce.

In other words, US residents who turned in their gold lost almost 50% of that savings value overnight!

At this stage, anything is on the table, including a repeat of FDR’s Executive Order.

But the 2020s are much different from the 1930s-- only a miniscule number of individuals own gold today. A much easier target for a bankrupt government power grab is retirement accounts, with trillions of dollars and most of them within easy reach for the government.

Privately held gold in stable, overseas jurisdictions is much more difficult to target.

Just like with anything, it makes sense to diversify some of your wealth across borders.
Considerations for an overseas vault and our go-to choice

Outsourcing storage to an overseas provider reduces your chances of your home government’s confiscation and seizure by some litigious plaintiff.

Still, if you take precautions and buy precious metals to avoid counterparty risk, the last thing you want to do is then unnecessarily take on counterparty risk.

Because when you store precious metals at a questionable company’s vault, that’s exactly what you’re doing. You’re potentially compromising 100% of your precious metals stored there.

Here are a few things to consider when storing your metals overseas:

1. Pick a provider that has its own in-house storage
   There are plenty of overseas gold providers who are nothing more than glorified middlemen. They charge their customers a hefty fee, yet do nothing more than hand off the gold to some other company to provide secure storage services.

   There’s no sense in lining someone’s pockets to do nothing for you.

2. Make sure the gold is segregated
   You’ll want to make sure you have your own safety deposit box that is yours and yours alone. A lot of providers have the bad habit of mixing all of their customers’ gold together. They call this ‘allocated storage’, but it’s highly disorganized.

   ‘Segregated’ storage means each customer has his/her specific area or lock box for that specific customer’s gold. There is no mixing of assets.

3. If they don’t share their financials, run away
   Anyone who is storing valuables for you, whether a bank or secure storage facility, should be completely transparent about their financial condition. You need to have comfort that they’re profitable, solvent, and can remain in business for years to come.

   So ask any storage provider for financial statements. If they’re not willing to provide them, run away.
4. Be mindful of jurisdiction rules
Every country treats gold differently, and some have very difficult rules to buy or import gold. Customs duties, taxes upon purchase, etc. all vary from place to place.

In the UK, for example, there is no tax on ‘investment grade’ gold. According to British rules, to be ‘investment grade’ gold, a gold coin must have a purity of at least 90%, be minted after the year 1800, AND be considered legal tender in its country of origin.

This rules out any ‘commemorative’ coins, which would be subject to value-added tax (VAT).

My preferred facility that ticks all the boxes above is Silver Bullion in Singapore.

The facility is segregated, state of the art, and incredibly transparent. And in Singapore, Investment Precious Metals (IPM) can be purchased tax-free as long as the gold content is at least 99.5%.

This includes many major coins like Canadian Maple Leaf gold coins.

Of course, Silver Bullion is not the only option for storing gold overseas. We just happen to have vetted it thoroughly, have used this company for years, and find it to be superior.

How much precious metals should you own?

You'll hear some gold experts recommend that you have 5% of your net worth, or 10% of your liquid assets in precious metals.

I’ve even encountered some people saying that gold should be 25%, 50% or more of your portfolio.

I’m not a big believer in tying a specific number to your gold holdings.

There’s absolutely no way that I can give you a number that you’ll be comfortable with.

Instead, I have a standby gut check that not only
applies to your precious metals holdings, but to your capital allocation across any asset class.

It’s breathtakingly simple, yet very effective...

**If you find yourself constantly worrying and checking the price of gold or silver multiple times per day, that’s a sign that you own too much.**

Physical precious metals are supposed to be an insurance policy.

You don’t spend hours each day fretting about your home insurance, car insurance or life insurance. You spend a little time up-front to choose the best protection at the best price for you and your family. And then you sit back and know you’re protected, should you ever need it.

The same principle applies to gold and silver.

Spend some up-front time deciding your desired allocation to gold and silver, bars and coins, and percentage held at home versus abroad.

And then, I’d encourage you to monitor your behavior.

If you find yourself checking the price of gold (or cryptocurrency or any other asset), that’s okay.

First, scale back slightly. And then reassess. If you’re no longer constantly worrying about the price of gold, then you’re probably in a good spot.

But if you still have that itch to check your gold app every 30 minutes, you might want to scale back some more and redirect that capital elsewhere.

Because once you have adequate physical holdings, you can think about speculating in various gold assets.
HOW TO INVEST AND SPECULATE IN PRECIOUS METALS

Major mining stocks

Physical precious metals are fairly low risk.

And that’s precisely why I like that option—physical gold and silver are a form of savings and a way to diversify out of paper currencies.

This next avenue into gold involves much more risk: mining companies.

In the mining business, well established and mature gold mining companies operate mines that are already producing gold. This means that the profitability of their business is primarily derived from their ability to effectively extract and process gold from the ground at a competitive price.

But volatile precious metals prices are far from the only risk to mining companies, among the most capital-intensive (i.e. challenging) businesses in the world.

They require pools of oil and gas to operate haul trucks with carrying capacities up to 496 tons, an enormous amount of specialized equipment that’s prone to failure and that requires routine maintenance, etc.

There’s navigating a potentially tumultuous relationship with the government. There’s the challenge of raising capital when precious metals prices are depressed.

Despite these challenges, a handful of successful miners exist. You may have heard the names, as a lot of these companies are publicly traded-- companies like Barrick Gold, Anglo American, Newmont, Goldfields, etc.

Over time, the share prices of these large gold miners move in tandem with the overall trend of gold prices.
Consider this example:

One of the most important metrics for mining companies is the All-in Sustaining Costs (AISC)—used by miners to reflect the cost of pulling metal out of the ground and sustaining production.

If the price of gold is $1,500 per ounce and the AISC of a mining company is $1,200, the miner has a $300 margin for every ounce of gold produced.

But if the price of gold jumps to $1,800 per ounce and the company’s AISC remains $1,200 per ounce, that gold price increase has just doubled the company’s margins.

If you think higher gold prices are ahead—as we do—then a way to capitalize is to invest in one or a handful of producers. As a general rule, outside our investment newsletter, The 4th Pillar, we do not feature individual stocks. And we’ll stick to this rule here.

Before you invest in a miner, I encourage you to perform a thorough due diligence. How much debt are they carrying? What’s the company’s “Return on Equity” (ROE)—for each dollar of capital deployed in the business, what is the company’s profit?

What’s the quality of their projects? Are their mines in geopolitically sensitive regions or in mining friendly jurisdictions, like Canada and Australia?

As with any publicly traded company, you can listen to quarterly earnings calls. You can read quarterly and annual reports.

Only when you’re satisfied that your capital will be protected should you pull the trigger. Just remember that there is ALWAYS risk involved.

And if you’re willing to take on more risk, there’s another class of mining companies that you can check out...
“Junior” mining stocks

Junior miners are small exploration companies that try to find the gold in the first place.

Recall earlier, I quoted mining legend Pierre Lasonde, who pointed out that in the 1970s-1990s there was at least one 50+ million ounce gold deposit discovered, a handful of 30+ million ounce deposits discovered and many 5 to 10 million ounce deposits.

But in the last 15 years, there have been no 50 million ounce or 30 million ounce deposits discovered and only very few 15 million ounce deposits.

You can see how the odds of striking gold are not in a junior miner’s favor. Lots of these companies fail. But when they do hit gold, especially in a bull gold market, the returns can be insane.

Take Seabridge Gold (SA), for example.

The company is developing the Kerr-Sulphurets-Mitchel, or KSM, gold project in British Columbia, which has reserves of 38 million ounces of gold and 10 billion pounds of copper. The project is considered the biggest undeveloped gold/copper project (by reserves) in the world.

In May 2004, the company’s stock was trading for $2.17. Throughout 2004 and much of 2005, it stayed in the $2-$5 range… already a good gain, but that was nothing compared to what would come later. In 2006, thanks to some good finds, the stock price more than doubled, to the $10-$12 range. In 2007, it hit nearly $37.

If you’d bought in May 2004 and sold sometime in 2007, you could have more than quadrupled your money.

By 2008, Seabridge was back down to about $7.

Then the financial crisis hit, and people started turning to gold again. Seabridge’s price soared
back up to the upper $20s and low $30s, and at one point in 2010 was trading for $35. You could have bought it for a little over $6 in January 2016. In 2018, it hit over $14.50.

In mid-March 2020 when investors were dumping anything and everything, Seabridge sank to just over $6 again. Since then, it’s nearly tripled. But that’s also a five-year high.

Even if the price of gold dramatically rises from here, Seabridge’s stock price could be highly volatile. You never know at what price speculators will buy and sell shares, and in what volume, that will ultimately move the share price.

That’s why this is NOT a recommendation of Seabridge by any stretch, but instead a representation of just how volatile junior mining stocks can be.

And Seabridge is no different from other juniors-- extreme volatility applies to them all, so you cannot minimize the risk.

Juniors can be a great way to speculate and make an extraordinary amount of money, or they can be a great way to lose nearly every cent you put in the stock. It’s a very high-risk, high-return space.

If you’re new to juniors, it’s best to stay away. Or at least be extremely cautious. And remember that junior miners are a speculation. NEVER put more money in than you can afford to lose.

Royalty or streaming companies

As I mentioned above, mining is an extremely capital-intensive and risky business.

There are all sorts of hurdles to transition a gold discovery into a producing mine-- capital raises, logistics, engineering and design obstacles. And once the mine is producing, there are possibly ongoing political risks, financial challenges, etc.

So, it makes sense that miners prefer to de-risk their business. And there’s a good avenue available for them to do so…

By pairing up with a royalty or streaming business.
Here's how it works: A natural resource royalty or streaming company provides upfront working capital to a mining company. In exchange, the royalty company receives a portion of the mining company’s REVENUE (not earnings). If the deal is structured as a stream, the miner would sell the commodity to the owner of the streaming contract, based on the predetermined conditions.

So if the mine extracts and sells 5,000 ounces of gold, the royalty streaming company receives 5% of that sale. A 5% stream on the same mine means that the streaming company takes physical delivery of 5,000 ounces of gold for a set price, determined by the contract.

Royalty and streaming companies have incredibly lucrative and capital efficient business models. They don't have to worry about pulling metal out of the ground, health and safety concerns for mine employees, ongoing engineering problems, etc.

Perhaps the best-known gold royalty company is Franco-Nevada (FNV on both the Toronto Stock Exchange and New York Stock Exchange). (IMPORTANT: This should not be interpreted as my recommendation to buy shares in FNV.)

As an example, in exchange for providing upfront working capital to a miner, FNV’s contract might allow the company to buy gold from the miner at, say, $500 an ounce.

With gold at $1,700 an ounce, FNV is making $1,200 an ounce on the metal. But if gold jumps to $2,000 an ounce, FNV is making $1,500 an ounce in profit – a 25% profit increase versus only an 18% move in the metal.

Of course, the leverage works in the opposite direction. Should the gold price decrease, Franco-Nevada’s margins would decrease.

Clearly, there are risks, as with any investment.

But overall, the FNV team isn’t out at the mine site producing gold and overcoming operational hurdles. Instead, they’re safely sitting in the office cashing checks, which doesn’t eliminate risks, but drastically cuts back on risks.
Gold Exchange-Traded Funds (ETFs)

ETF stands for ‘exchange-traded fund’.

It’s sort of like a mutual fund that’s listed on the stock exchange, meaning investors can buy/sell shares of an ETF just like they would buy/sell shares of Apple, Ford, or Netflix.

But unlike Apple, which is an operating business with employees, products, revenue, etc., an ETF is NOT an operating business. It’s a fund that merely pools capital to own assets.

The benefit for investors is that ETFs can be an easy and convenient way to invest in certain assets which would otherwise be difficult to buy.

If someone wants to buy Egyptian stocks, for example-- they could open a brokerage account in Cairo… or buy an Egypt ETF that’s listed on the New York Stock Exchange.

The ETF is a LOT easier for most investors.

But there are also ETFs for gold and silver. And I find this mystifying.

We’re not talking about Egyptian stocks. Gold and silver are easy to buy. You could have Canadian Maple Leaf gold coins delivered to your home with a few mouse clicks.

So gold ETFs provide no added convenience.

Yet there’s an enormous amount of downside.

First, if you buy an ETF, you’re paying for a ton of unnecessary expenses.

The ETF has to pay custodian fees, marketing fees, listing fees to the New York Stock Exchange, audit fees, management fees, etc.

Contrast that to owning physical gold in your own safe, where you don’t have to suffer the
cost of paying lawyers, auditors, and investment bankers.

But an ETF like GLD (NYSEArca:GLD) does. Which means that as a GLD investor, YOU are fundamentally paying those costs.

And remember that ETFs aren’t operating businesses. Apple makes money selling overpriced hardware. But GLD has no products, and hence doesn’t generate any revenue. GLD has to pay for its expenses somehow. So, it sells gold. Your gold.

Yes, you read that right. GLD trustees periodically sell off the gold (that’s supposedly owned by the investors) in order to pay expenses. The fund tells us so in their prospectus.

And since GLD and several other ETFs are structured as ‘flow-through’ trusts, when they sell gold to pay expenses, this can create hidden tax headaches for GLD investors. The IRS could treat those gold sales as if you personally had sold gold, triggering capital gains consequences.

But aside from the excessive costs and possible tax consequences, ETFs are simply not designed for your benefit. They’re designed for Wall Street’s benefit. Middlemen like GLD’s ‘sponsor’, ‘marketing agent’, ‘trustee’, ‘custodian’ and various ‘Authorized Participants’ stand between you and your gold.

And the physical gold is supposed to be held with the ‘Custodian’, which is HSBC Global.

But according to GLD’s legal documents, the Custodian has the right to use Sub-custodians. Yet they’re not required to have any written agreement with the Sub-custodians. Those Sub-custodians can then shift your gold even further to Sub-sub-custodians, which also does not require a written agreement.

And, even though the primary Custodian (HSBC) is receiving handsome fees, they have no obligation to monitor the Sub-custodians. HSBC cannot be held responsible if someone screws up, and no worries-- the screw up can be committed by a Sub-custodian that does not need to be insured or bonded.

So, not only is there zero requirement to even have a written agreement before storing your gold with some Sub-custodian, there’s also no requirement to insure the gold that they’re storing.
Seriously, you have to be insane to buy GLD.

Yes, GLD is liquid. You can sell shares anytime during market hours. But physical gold is also liquid. You can sell it anywhere in the world.

So gold ETFs have no real advantage.

But the disadvantages are numerous. You’re paying a ton of unnecessary expenses, dealing with potential tax consequences, and enriching big Wall Street banks who have no obligation to do anything on your behalf.

**Options on futures**

For more sophisticated investors, one way to capitalize on higher gold and silver prices is to buy options on a futures contract.

To understand options on futures, let’s break down those two financial terms.

Recall that earlier in this report, I covered futures contracts-- a contract between a seller and a buyer to trade a certain amount of a commodity at a predetermined price at some point in the future. The underlying commodity could be gold or silver, or it could be oil, corn, soybeans, lean hogs, or a number of other commodities.

These commodity futures are all traded on the Chicago Mercantile Exchange’s (CME) Globex platform.

If you follow the link to the CME’s silver futures trading, for example, you’ll see the expiration dates for silver futures contracts-- June 2020, July 2020, etc.

The constantly changing prices represent the market saying, “We think that in December 2020-- again, the contract’s expiration date-- one ounce of silver will be worth $18.36.” (That’s the market price at the time we took the screenshot.)
But if you think that the market is severely underpricing a commodity in the future, then you have the potential to profit.

Let's say that you think the price of silver will skyrocket to $36.00 in December 2020. You can buy that December 2020 futures contract. You'll lock in the current market price of $18.36 for the contract's terms of 5,000 ounces of silver, so your total outlay in December at contract expiration will be $91,800.

And if you're right and silver shoots up to $36 by December 2020, giving your futures contract a value of $180,000, you can sell the contract and nearly double your money.

That briefly covers futures.

Now, options offer an even cheaper way to play silver's potential upside by December 2020.

But first, a brief note on options: An option holder or owner secures the right, but not the obligation (hence the “option”), to buy or sell an underlying asset at a specified price by a specified date. The underlying asset could be shares of stock, commodities, or a number of other assets.

For options on silver futures, the silver futures contract is the underlying asset. Like our futures example above, if you think that the silver price will dramatically increase by December 2020, you can buy the option (i.e. the “call” option) to buy the December 2020 silver futures at a certain price.
Again, the futures contract is already saying, “Here’s what the silver price will be in December 2020.” The option is saying, “Here’s how much I’m willing to pay for the futures contract, to buy silver in the future.”

With options on futures, you’re not just guessing on the future; you’re guessing what the future price of the futures contract will be.

You can access the options on the December 2020 silver futures (or for any other month) by first following the link to the CME’s silver futures trading. Once on that screen, click the “Opt” button in the second column.

You’ll see a screen that looks like this:

<table>
<thead>
<tr>
<th>Calls</th>
<th>Updated</th>
<th>Hi/Low Limit</th>
<th>Volume</th>
<th>High</th>
<th>Low</th>
<th>Prior Settle</th>
<th>Change</th>
<th>Strike Price</th>
<th>Last</th>
<th>Change</th>
<th>Prior Settle</th>
<th>Low</th>
<th>High</th>
<th>Volume</th>
<th>Hi/Low Limit</th>
<th>Updated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>16:45:15 CT 04 Jun 2020</td>
<td>No Limit / 0.001</td>
<td>0</td>
<td>-</td>
<td>-</td>
<td>2.226</td>
<td>-</td>
<td>-</td>
<td>1725.0</td>
<td>-</td>
<td>-</td>
<td>1.116</td>
<td>-</td>
<td>-</td>
<td>0 No Limit / 0.001</td>
<td>18:18:34 CT 04 Jun 2020</td>
</tr>
<tr>
<td></td>
<td>18:19:07 CT 04 Jun 2020</td>
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<td>-</td>
<td>2.895</td>
<td>-</td>
<td>-</td>
<td>1759.0</td>
<td>-</td>
<td>-</td>
<td>1.235</td>
<td>-</td>
<td>-</td>
<td>0 No Limit / 0.001</td>
<td>18:19:23 CT 04 Jun 2020</td>
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<tr>
<td></td>
<td>18:19:00 CT 04 Jun 2020</td>
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<td>-</td>
<td>-</td>
<td>1.971</td>
<td>-</td>
<td>-</td>
<td>1775.0</td>
<td>-</td>
<td>-</td>
<td>1.301</td>
<td>-</td>
<td>-</td>
<td>0 No Limit / 0.001</td>
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</tr>
<tr>
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<td>1.054</td>
<td>-</td>
<td>-</td>
<td>1860.0</td>
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<td>-</td>
<td>1.494</td>
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<td>-</td>
<td>0 No Limit / 0.001</td>
<td>18:18:50 CT 04 Jun 2020</td>
</tr>
<tr>
<td></td>
<td>18:19:42 CT 04 Jun 2020</td>
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<td>-</td>
<td>1.633</td>
<td>-</td>
<td>-</td>
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</tr>
<tr>
<td></td>
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<td>-</td>
<td>1.780</td>
<td>-</td>
<td>-</td>
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</tr>
</tbody>
</table>

We’ll just focus on the “call” options on the left side of the screen that allow the holder to buy the underlying futures contract at a stated price (the “strike price” in the middle of the page) within a specific timeframe.

Look at the row where the strike price says 1725.00.

Next, if you look at the three columns to the left of the strike price, you’ll see the “prior settle” column. This means that the current quoted market price is $2.226. (If you’re looking at the current prices on the Globex silver futures site, you’ll likely see a different price, since prices constantly change. The price of $2.226 was the market price when we took the screenshot above.)
For this particular call option, you’re paying $2.226 for the right to pay $17.25 for the December 2020 silver futures contract.

Again, the silver futures contract is for 5,000 ounces. So, if you were to buy that December 2020 futures contract, when it expires in December you’d pay $86,250 (5,000 ounces multiplied by $17.25).

But your option on the December 2020 silver futures contract only costs you $11,130 (5,000 ounces multiplied by $2.226) today.

Again, with the silver futures contract, if December comes and silver has rocketed to $36, you could nearly double your money (from $91,800 to $180,000). But with your option on the December 2020 silver futures contract, you can 16x your money in just a few months--from $11,130 to, again, $180,000.

As you can see, options reduce the initial capital outlay and give you leverage to generate a much higher return, but your risk also increases.

Remember, your call option gives you the right to buy a silver futures contract for $17.25. But if in December the silver futures contract trades for less than $17.25, it doesn’t make sense to execute the option since you can buy the same futures contract on the open market for less.

And so the option you paid $2.226 for expires worthless and you lose 100% of your capital.

On the other hand, if you had made the same trade without the option and bought the futures contract directly, you would only lose the difference between $17.25 and what the current price of the silver contract is (which, unless the silver price goes to $0, is going to be a smaller loss in terms of percentage).

Even with all signs pointing to higher prices, there’s never a guarantee in financial markets. Silver prices could go nowhere for the remainder of 2020, and then shoot up in early 2021.

The point is: Futures and options on futures are certainly not risk-free.

This is not an endorsement or recommendation of either, but just to point you to a few
different ways of how the precious metal markets could be played.

You should only put capital at risk in the futures or options markets (or, for that matter, any other market) if you understand both the risks and the rewards and if you’ve decided that the avenue is the highest valued use of your capital.

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**How you can pay as little as a 0.06% premium for physical silver**

As I noted earlier, premiums on physical silver went through the roof right after the COVID-19 breakout.

In March 2020, people were rushing to coin shops and online dealers, paying 50%, 75%, even 100% premiums over the spot price. Many dealers were soon completely cleared out of inventory.

Since then, depending on the coin and if you can find a deal, the premiums have dropped to about 25-50% over spot.

Still, handing over several additional dollars above spot for each silver coin hurts.

Fortunately, there’s a way to cut your premium to basically zero. Granted, this avenue takes more work than heading down the street to your local coin shop or filling out an online order form to buy from a dealer.

In early April, my team distributed a report to *Sovereign Man: Confidential* readers, walking them through each of the steps to secure physical silver bars for next to nothing over spot.

Silver demand may taper off a bit in the coming months, but I don’t foresee premiums dropping back down to less than 10% anytime soon. This option that we outlined to SMC subscribers is the best deal you will see on physical silver in 2020.

**Click here to read this premium report if you are already a member of Sovereign Man: Confidential.**
CONCLUSION

Just like you protect your house with home insurance and your family with life insurance, gold and silver are there as an insurance policy to preserve your wealth in chaotic times.

Precious metals are a form of savings—anti-currencies—that exist outside of the conventional system.

When people increasingly don’t have confidence in the paper currency issued by central bankers and spent liberally by governments, gold and silver are the answers.

And recent events have amplified the need to hold these assets.

The Federal Reserve has entered a new era after COVID-19 and the US economic shutdown—conjuring trillions of dollars within only a couple of months. But that may just be a warm up round for what we could witness later in 2020.

Lower economic output (i.e. less goods produced and services provided) coupled with tens of trillions of more dollars in the economy is a path to price inflation. And once consumers get a whiff of persistent price inflation, then investors should seek the safe haven of precious metals. And gold and silver prices will be off to the races.

But while gold and silver demand goes through the roof, there’s just not enough above ground supply to meet this increased demand. Depressed gold and silver prices over the past decade meant that exploration budgets plummeted, and as a consequence, there are no new, big discoveries from years ago that will produce needed ounces today.

And there are no big discoveries that will come online tomorrow or next year, either.

We’re looking at a potential perfect storm that will rocket prices higher.

But again, you don’t hold physical precious metals to get rich in dollars. You primarily hold precious metals because they’re NOT the dollar. And right now, chances are very high that your dollars today will buy a lot more gold and silver than your dollars will in 2025 or 2030.
Looking out even further, the US dollar may not remain the world’s reserve currency. If the dollar is not completely deposed in a couple of decades, there could be competing currency blocs by that time.

Fortunately, we don’t have to perfectly predict the future.

We already know that gold and silver, just as they have for 5,000 years, will likely remain as the preferred choice for wealth preservation.
FURTHER RESOURCES

As you can see, buying gold is a strategy that makes perfect sense in our current economic climate, but it is just *one* of many strategies available to you.

Inside our flagship international diversification service, *Sovereign Man: Confidential*, we share hundreds of other strategies to secure your assets, make more money and reduce your taxes.

If you are already a member, here are a few more premium articles you may find interesting…

**FURTHER RESOURCE**

How to buy physical silver directly from the futures market and only pay 1.5% premium (instead of 20%, 50% or even more than 100% like most people do)

**FURTHER RESOURCE**

Why banking is not as risk-free as most people think and two simple solutions to safeguard your savings outside the traditional banking system (that are NOT gold related)

**FURTHER RESOURCE**

Five possible economic scenarios for our COVID-19 world and what you can do today to profit from them

**FURTHER RESOURCE**

How to reduce the counterparty risk of your savings by purchasing 28-Day Treasury Bills
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It is very important to do your own analysis before making any investment or employing any tax strategy.

You should consider your own personal circumstances and speak with professional advisors, and independently research any information that you wish to rely upon, whether for the purpose of making an investment or tax decision, or otherwise.

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