



SPECIAL REPORT

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Bullion 101: How and Why to Buy Gold and Silver

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Bullion 101: How and Why to Buy Gold and Silver

Inflation has arrived.

Though the mainstream financial media and government data continue to ignore it, inflation has begun to erupt around the globe. In emerging markets, where as much as 50% of consumer income is spent on food, higher inflation has resulted in civil unrest, outright riots, and even political regimes being toppled (e.g. the now famous Arab Spring).

However, even in the developed world, inflation is seeping into the financial system in various ways. We don't always notice it because companies don't simply raise prices when inflation hits.

Instead, they opt to provide *less* product for the *same* price. Or they substitute lower quality ingredients for their products...or simply fail to fill product packaging completely (how many times have you recently opened a package to find it is only 75% full?).

All of these developments are inflationary as they indicate that the same unit of currency is now providing you with less, whether it be less quantity or lower quality.

We get additional signs of inflation in the form of wage protests. While the most obvious signs of this again come from the emerging market space, it is critical to note that even in the developed world, workers have begun demanding higher wages.

Germany-Germany's major public services trade union Verdi had called for a daylong strike on Friday at Hamburg Airport, impeding security operations and delaying flights as passengers struggled to get to their gates.

The union is calling for an hourly wage of 14.50 euros for its members, who currently earn 11.80 euros per hour.


Only one of 20 security checkpoints had opened, with approximately 95 percent of the passenger security-check staff walking off the job.

<http://www.presstv.ir/detail/2013/01/20/284554/german-airport-workers-go-on-strike/>

The US-Food and retail workers at Baltimore-Washington International Thurgood Marshall Airport protested working conditions on Wednesday and attempted to deliver a proposed "Bill of Rights," to AirMall USA, BWI's concessions manager.

Unite Here, a labor union that represents hospitality workers in Baltimore and elsewhere and is working to organize the airport concessions workers, said the private management company has benefited from higher passenger traffic while workers struggle with low wages and lack of health care access. Food concessions workers at BWI earn an average \$15,912 annually, Unite Here says.

<http://articles.baltimoresun.com/2013-02->



13/business/bs-bz-airport-retail-workers-protest-20130213_1_retail-workers-bwi-maryland-aviation-administration

The UK-Protestors are gathering outside the offices of Starbucks in Chiswick over employees pay.

The GMB union is accusing the American coffee chain of avoiding paying the Living Wage - which is set at £8.55 in London and £7.45 outside.

Starbucks have also reportedly resorted to cutting paid lunch breaks, sick leave and maternity benefits for 7,000 British workers.

The new contractual terms being circulated to staff across 750 Starbucks stores include the removal of cash incentives for becoming manager of the year. A bonus scheme for women returning back from maternity leave will also be removed "because it is not considered a valued benefit".

<http://www.lbc.co.uk/living-wage-protest-at-starbucks-hq-in-chiswick-over-living-wage-63881>

However, perhaps the best proof of inflation comes from the Central Banks themselves, which became *net buyers* of Gold in 2010 and haven't looked back.

Indeed, since that time, the buying has not relented. In 2010, Governments worldwide bought 77 tonnes of Gold. In 2011 it was 457 tonnes. And last year it was a whopping 535 tonnes.

Isn't it a little strange that the very entities who proclaim that inflation is "contained" have bought over 1,000 tonnes of Gold since 2009? Especially given that up until the second quarter of 2009 Central Banks were net **SELLERS of Gold?**

The reasoning is quite simple: Central banks all know that their money printing is rendering paper money worth less and less. As a result, they're moving to acquire Gold to hedge against this.

In an environment such as this, smart investors are allocating at least some of their capital to Gold and Silver bullion. We'll outline how and why to buy it in this report.

What is bullion?

Bullion is simply another term for actual, physical Gold or Silver as opposed to "paper" Gold or Silver, which trades via either the futures market or in one of the various Gold or Silver-based Exchange Traded Funds (ETFs).

Bullion comes in one of two forms: coins or bars. Coins typically contain an ounce of pure Gold or Silver. Bars range in size from one ounce up to 400+ ounces. You can buy either for a small premium over "spot" price or the current market value of Gold or Silver.

What are the most common forms of bullion?

In terms of gold coins, there are three coins that comprise the bulk of the bullion market. They are Kruggerands, Canadian Maple Leafs, and American Gold Eagles. We suggest avoiding Maple Leafs because they can easily be scratched which damages the gold and reduces the coin's value.



In terms of Silver coins, the easiest way to get it is via pre-1965 coins (often termed “junk” silver). However, you can also get silver one-ounce rounds (coin-like medallions) or Silver Eagles coins which also contain one ounce of Silver.

In terms of bars, you can buy either Gold or Silver bars in a variety of forms. However, they are much bulkier, usually weigh considerably more, and are harder to move around.

Why should I own bullion?

Globally, Central Banks are printing money in an effort to debase their respective currencies. Since 2007 they’ve printed over \$10 trillion. There is no indication that this will be changing anytime soon. As a result of this, paper money is losing its purchasing power, meaning that each unit of currency buys *less* goods or services.

Owning bullion shields some of your wealth from the impact of this money printing. Gold, as an inflation hedge, maintains its purchasing power because it cannot be printed. Mankind has been using Gold as a source of wealth for over 6,000 years. This didn’t stop when we left the Gold standard in 1970. It won’t stop for years to come.

Why should I own bullion instead of an Exchange Traded Fund (ETF) that owns bullion?

There is considerable evidence to suggest that the Gold and Silver ETFs do not actually have all the Gold or Silver they claim to. However, regardless of whether this is completely true, at the end of the day it is much safer to have your own physical Gold or Silver *in hand* as opposed to buying a paper-based ETF run by

a bank or other financial entity that *claims* it owns Gold and Silver.

After all, if the firm that owns the Gold goes bankrupt, there’s no guarantee that you’ll get your hands on your share of the bullion any time soon if at all. This completely defeats the purpose of buying Gold or Silver: to store your wealth safely.

How much Gold or Silver bullion should I buy?

How much you purchase is up to you. We suggest having at least several months’ worth of expenses in Gold *and* Silver bullion. This amount should prove adequate if the financial system collapse and you need to use Gold or Silver temporarily as a form of exchange.

Outside of systemic failure, the amount of Gold or Silver exposure really depends on how concerned you are about inflation. As our Special Report *The Inflation Secrets Your Broker Won’t Tell You* indicates, Gold and Silver are not the only inflation hedges out there. But they are some of the best.

Why should I buy both Gold and Silver?

Because if the banks are closed or if paper money is worthless, you don’t want to be walking around with an ounce of gold (worth \$1k+) to buy groceries.

Instead, you will want some precious metals of smaller denomination to purchase goods or barter with, hence the need for some Silver.

How do I buy Gold or Silver bullion?

The safest way to buy bullion is from a dealer. There are literally hundreds of dealers to choose from. The US mint provides a list of authorized coin dealers on its website:



http://www.usmint.gov/mint_programs/american_eagles/?action=lookup

We cannot tell you which dealer to go with, but look for someone who's been dealing for years (not a newbie). You should ALWAYS ask for references from the dealer (former clients you can talk to about their purchases/experiences).

Be sure to talk to the dealer for some time and ask him or her numerous questions about the industry, the coins, etc. (feel free to test him or her on the information we've provided you with above e.g. the three most liquid Gold coins, etc.). If they can answer everything you ask in a knowledgeable fashion, their references check out, and you verify everything they say with a 3rd party, you should be OK.

Some warning signs to avoid are dealers who try to store your bullion. *Never, ever EVER* store your bullion with someone else. *Always* store it yourself.

How should I store my bullion?

In terms of storing your bullion, you can store it in a safe deposit box at a bank or buy a home safe from Target or Wal-Mart (or a specific safe store). If you go the safe deposit box route, make sure it's with a bank that has as little exposure to derivatives as possible (see our ***Phoenix Investor Personal Protection Kit*** reports for a list of banks based on derivative exposure).

Personally, we distrust safe deposit boxes because part of the reason for having Gold or Silver on hand is in case there's a run on the banks or a bank holiday is declared. For that

reason, we prefer having at least some bullion in a personal safe.

You can get a decent safe for anywhere between \$100 and \$1,000. Both Target and Wal-Mart sell decent models for \$50-\$300. However, there are plenty of other more sophisticated safes out there.

On a side note DO NOT tell people about your bullion stash OR your safe. Trust virtually NO ONE with this information except your closest loved ones (and we mean CLOSEST).

This concludes this report. For more information on inflation and how to hedge yourself against it, we suggest reading our Special Report titled ***The Inflation Secrets Your Broker Won't Tell You About***

Best Regards,

Phoenix Capital Research

