SPECIAL REPORT

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PREPARED BY

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Survive the War on Cash

How to Protect Your Wealth From Central Banks' Monetary Madness

The Global Central Banks, lead by the U.S. Federal Reserve, have declared of War on Cash.

Historically, one of the safest things to do during a crisis is to move a significant portion of your holdings to cash. As the old adage says, during these periods, "cash is king."

The notion here is that cash is a safe haven. And while earning 1% or less in interest doesn't do much in terms of growing your wealth, it sure beats losing 20%+ by holding on to stocks or bonds during their respective bear markets.

However, in today's world of fiat-based Central Planning, cash represents a REAL problem for the Central Banks. The reason for this concerns the actual structure of the financial system. That structure is as follows:

1) The total currency (actual cash in the form of bills and coins) in the US financial system is a little over $1.36 trillion.

2) When you include digital money sitting in short-term accounts and long-term accounts then you're talking about roughly $10 trillion in "money" in the financial system.

3) Depending on stock price levels, the total value of U.S. stock markets is about $20-$50 trillion in size.

4) The US bond market (money that has been lent to corporations, municipal Governments, State Governments, and the Federal Government) is almost twice this at **~$80 trillion.**

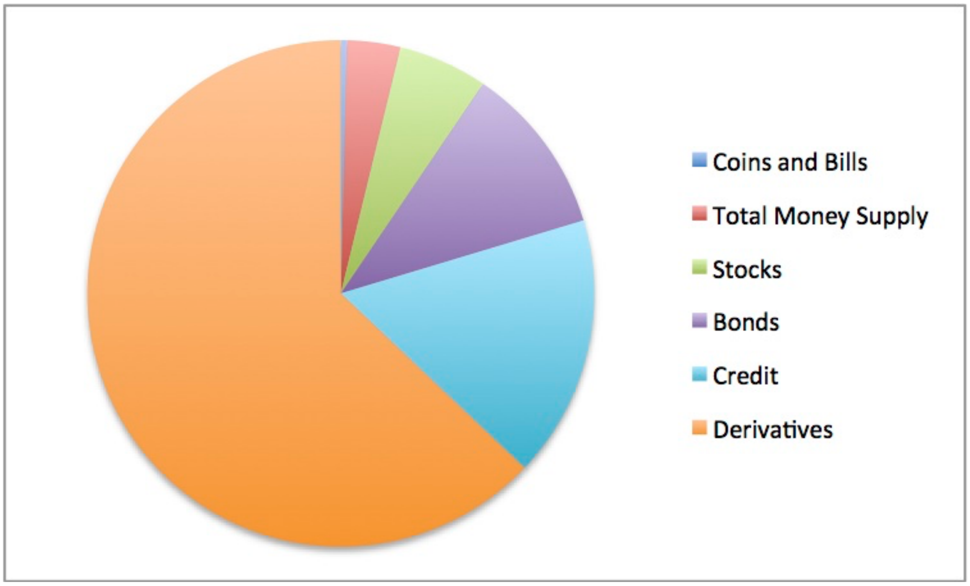
CHIEF MARKET STRATEGIST

Graham Summers, MBA is a world-renowned expert in central bank policy with over 20 years of experience in market analysis and investment strategy. Having analyzed over 1,000 businesses and countless investments during some of the most volatile periods in capitalism, his investment strategies encompass six different asset classes ranging from emerging markets to currencies to real estate.

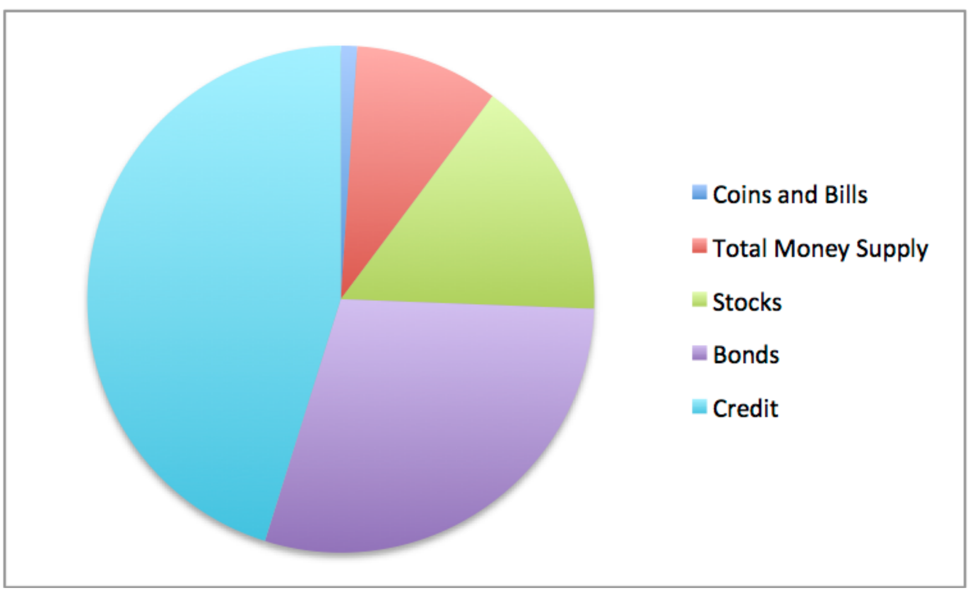
A best-seller author and acclaimed communicator, Graham's cutting-edge business and research insights have been featured in several media outlets around the world including CNN Money, Fox Business, Rolling Stone Magazine, Crain's New York Business, MoneyTalk Radio, and The Huffington Post among many others.

When looking over these data points, the first thing that jumps out is that the vast bulk of "money" in the system is in the form of digital loans or credit (non-physical debt). Put another way, actual physical money or cash (as in bills or coins you can hold in your hand) comprises less than 1% of the "money" in the financial system.

Here is the financial system in picture form. I'm not including hard assets such as gold, real estate, or the like. We're *only* talking about relatively liquid financial assets items that can be sold (turned into cash) quickly.



Of course, Wall Street will argue that the derivatives market is notional in value (meaning very little of this is actually "at risk"). However, even if we remove derivatives from the mix, the system is still very clearly based on credit, with only a small sliver of actual physical cash outstanding:



Put simply, the vast majority of wealth in the US is in fact digital wealth that moves from bank to bank without ever being converted into actual physical cash.

As far as the Central Banks are concerned, this is a good thing because if investors/depositors were ever to try and convert even a small portion of this "wealth" into actual physical bills, **the system would implode (there simply is not enough actual cash).**

Remember, the current financial system is based on debt. The benchmark for "risk free" money in this system is not actual cash but US Treasuries.

In this scenario, when the 2008 Crisis hit, one of the biggest problems for the Central Banks was to stop investors from fleeing digital wealth for the comfort of physical cash. Indeed, the actual "thing" that almost caused the financial system to collapse was when depositors attempted to pull $500 billion out of money market funds.

A money market fund takes investors' cash and plunks it into short-term highly liquid debt and credit securities. These funds are meant to offer investors a return on their cash, while being extremely liquid (meaning investors can pull their money at any time).

This works great in theory… but when $500 billion in money was being pulled (roughly 24% of the entire market) in the span of four weeks during September 2008, the truth of the financial system was quickly laid bare: **that digital money is not in fact safe**.

To use a metaphor, when the money market fund and commercial paper markets collapsed, the oil that kept the financial system working dried up. Almost immediately, the gears of the system began to grind to a halt.

When all of this happened, the global Central Banks realized that their worst nightmare could in fact become a reality: **that if a significant percentage of investors/ depositors ever tried to convert their "wealth" into cash (particularly physical cash) the whole system would implode.**

As a result of this, virtually every monetary action taken by the Fed since this time has been devoted to forcing investors away from cash and into risk assets. The most obvious move was to cut interest rates to 0.25%, rendering the return on cash to almost nothing.

However, in their own ways, the various QE programs have all had similar aims: to force investors *away* from cash, particularly physical cash.

After all, if cash returns next to nothing, anyone who doesn't want to lose their purchasing power is forced to seek higher yields in bonds or stocks.

Let me put this very bluntly. The Fed and other Central Banks literally took the nuclear option in dealing with the 2008 bust. They did everything they could to trash cash and force investors/ depositors into risk assets. <u>But these polices have failed to generate growth.</u>

Rather than admit they were completely wrong, Central Banks have reverted to more and more extreme measures to destroy cash and force investors to move into risk against their will. Even more disturbing is the fact that we are beginning to see economists with close ties to the Central Banks calling for the **<u>abolishment of cash entirely!</u>**

Indeed, the number of high profile financial "experts" who have called to ban higher bill denominations if not banning cash altogether grows almost weekly.

As former Chief Economist for the IMF, Harvard's Ken Rogoff is one of the most listened to economists in the US.

Rogoff's current book is literally titled ***The Curse of Cash.***

Then there's former Secretary of the Treasury Larry Summers. Summers has called repeatedly to stop producing large denominations of cash in the US. Indeed, despite the chaos this policy has caused in India he coauthored a piece stating:

> "…***nothing in the Indian experience gives us pause in recommending that no more large notes be created in the United States, Europe, and around the world."***

Even current Treasury Secretary Janet Yellen, arguably the single most powerful financial insider **<u>in the world</u>**, stated during a Q & A session "***<u>cash is not a convenient store of value."</u>***

It would be easy to scoff at some of this stuff as being totally insane, if the Fed hadn't published a paper back in 1999 suggesting the implementation of a "carry tax" or taxing actual physical cash using an expiration date if depositors aren't willing to <u>spend the money.</u>

The paper, suggested that if the Fed were to find that zero interest rates didn't induce economic growth, it could try one of three things:

1) A carry tax (meaning tax the value of actual physical cash that is taken out of the system)
2) Buy assets (QE)
3) Money transfers (literally HAND OUT money through various vehicles)

Regarding #1, the idea here is that since it costs relatively little to store physical cash (the cost of buying a safe), the Fed should be permitted to "tax" physical cash to force cash holders to spend it (put it back into the banking system) or invest it.

The way this would work is that the cash would have some kind of magnetic strip that would record the date that it was withdrawn. Whenever the bill was finally deposited in a bank again, the receiving bank would use this data to deduct a certain percentage of the bill's value as a "tax" for holding it.

For instance, if the rate was 5% per month and you took out a $100 bill for two months and then deposited it, the receiving bank would only register the bill as being worth $90.25 ($100* 0.95=$95 or the first month, and then $95 *0.95= $90.25 for the second month).

It sounds like absolute insanity, but I can assure you that Central Banks take these sorts of proposals *very seriously*. Indeed, JP Morgan began implementing a similar scheme by forbidding the storage of cash in its safe deposit boxes in 2015.

Yes, is the single largest bank in the US, forbidding depositors from storing cash in a storage box or safe deposit box at their bank. And virtually no one even responded in outrage.

If you don't believe me, here is an actual cutting from the safe deposit box lease JP Morgan makes depositors sign:

> **You agree not to use the box to store money, coin or currency unless it is of a collectable nature, and you assume all risks and hold the Bank harmless of any loss or alleged loss of said money, coin or currency.**

As far as the Fed paper calling for an end to cash/ carry tax on cash, the author wasn't some post-doc working on economic research in some low level post. No, the author of this lunacy was **a visiting scholar with the ECB, the Fed, the IMF, and the Swiss National Bank**.

The fact that two of those groups went on to impose negative interest rates (ECB and SNB) should give warning that these sorts of ideas are actually taken very seriously by Central Banks.

https://phoenixcapitalmarketing.com/feddoc.pdf

Again, the Fed has declared a War on Cash, and a "carry tax" is coming. In light of this, it is imperative that you take steps to preserve your wealth from this.

One of the simplest ways to do so is to move a portion of your wealth into Gold or Silver bullion.

Strategy #1: Buy Some Bullion

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 for forms. However, they are much bulkier, usually weigh considerably more, and are harder to move around.

Why should I own bullion?

Historically, many investors have argued that there was no point to owning bullion since it didn't produce any cash flow. However, with the majority of government bonds now yielding less than 1% and over $15 trillion sporting **negative** yields… this argument is no longer valid.

Owning bullion is a means of securing your wealth outside of "paper money" or the cash that the Central Banks want to tax. Provided you store it securely, it's a means of preserving your capital and keeping it under **<u>your control</u>**.

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.

Why should I buy both Gold and Silver?

Because if a bank holiday is ever declared… 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:

https://catalog.usmint.gov/bullion-dealer-locator

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). 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).

Strategy #2: Consider Owning Real Estate

Over the last 30+ years, there have been a little over 20 housing busts in developed countries. Historically, these busts are usually 6-7 years long from peak to trough; meaning from the time the bust begins until the market bottoms. The US housing bust followed a similar pattern: starting in early 2006 and ending in early 2012.

This is not to say that prices will begin to soar again, nor do we suggest that housing prices won't fall again. But the likelihood of another full-blown housing crash is relatively low. And provided you don't need quick access to your capital, real estate can be an excellent means of escaping the War on Cash… while also providing significant cash flows.

With that in mind, there are ample opportunities in the US real estate market to generate solid cash flows. Investors today can oftentimes purchase a distressed or foreclosed property at prices that can create substantial returns based on their rent potential.

For instance, in some markets today, you can purchase a distressed or foreclosed home for $100-$120K. At this pricing, if you can rent the home for $800 or more per month, you're looking at a cash yield ranging from 8%-11%. Compared to the yields offered by Savings, Stocks, or Bonds, this is an incredible return for an asset that is unlikely to collapse if the stock market crashes.

Home Price	Monthly Rent	Annual Rent	Cash Yield
$120,000	$800	$9,600	**8.00%**
$120,000	$900	$10,800	**9.00%**
$120,000	$1,000	$12,000	**10.00%**
$120,000	$1,100	$13,200	**11.00%**
		Savings Accounts	**0.25%**
		Stock Dividends	**2.30%**
		10-Year Treasury	**+ or - 3.00%**

Obviously, not everyone can buy a distressed property in cash. But, as the below chart indicates, provided you can make a down payment of 20% or more, you're still looking at a return on capital far greater than what the markets offer you with lower risk (again, the likelihood of home prices falling another 15% is relatively small compared to the likelihood of stocks doing so).

Home Price	Down Payment	Loan Amount	Monthly Mortgage	Rent	Annual Profit	Return on Capital
$120,000	$50,000	$70,000	$500	$600	$1,200	2.40%
$120,000	$40,000	$80,000	$554	$665	$1,330	3.32%
$120,000	$30,000	$90,000	$610	$732	$1,464	4.88%
$120,000	$20,000	$100,000	$660	$792	$1,584	7.92%

Again, the point here is that housing offers you far greater return that most bonds… which are currently yielding next to nothing.

Strategy #3: Assess Your Custody Risk

The final step might be the most important. That step is to assess the "**custody risk**" of your various holdings.

Custody risk is a legal phrase used to convey "what do you really own when you buy an investment."

In today's financial world, virtually no one has the actual physical share certificates of the stocks they own or other assets held by their various accounts/ trusts/ etc. Instead, their shares and other assets are electronically "parked" at their brokerage firm or some other financial institution.

Custody risk assesses what happens to those shares or other assets in the event that the brokerage firm goes under due to insolvency, negligence or fraudulent action. It is essentially a legal framework through which you maintain ownership even if the entity holding your shares or assets for you (the custodian) goes out of business.

This is a HUGE issue that is boiling just beneath the surface of the financial system. The SEC performed a study of some 400-investment advisor firms in 2013. As the SEC itself stated in its report **approximately one-third of them (over 140) failed to meet custody rule requirements.**

The issues here are too myriad to list, but some of them include:

1) A lack of awareness by advisors concerning the custody rule (read: the advisor isn't even sure of whether he or she has custody of their clients' accounts)
2) Failure by the advisor to have the assets or securities placed with a qualified custodian firm (a qualified financial firm)
3) Failure by the advisor to have an independent accountant audit the firm's holdings (so who is keeping track of what your assets are actually worth or where they are for that matter)?
4) Failure to provide GAAP approved audits of client accounts (read: the balance sheets of the clients funds they provided did not meet Generally Accepted Auditing Standards or GAAP).

My point with all of this is that most investment professionals don't even consider these issues. **Again roughly ONE THIRD of the advisory firms the SEC examined failed to meet custody rule requirements.**

In simple terms: these folks were not keeping track of where the assets were, weren't providing their clients with timely updates of where the assets where, failed to pass special exams concerning issues of custody rule AND failed to have independent audits of their clients' funds performed.

In other words… they didn't really know where their clients funds were, how big or how small they were… in fact, many of them didn't even realize that they themselves were *legal custodians* of their clients' funds.

Custody risk goes beyond investment advisors. Indeed, these issues are endemic to the financial system today.

Let's say the financial firm which is actually keeping custody of your assets (your stock shares, money market account, etc.) goes belly-up. What happens then? How quickly can you access your accounts? How soon can they be transferred out of the firm to another custodian?

You see where I'm going with this.

Even if an appropriate legal framework is in place to eliminate the risk of loss of value of the securities held by the custodian in the event of its failure, it can take weeks or even months to transfer the securities to a new custodian. **During that time, you cannot close out open positions… they are effectively frozen.**

In the case of MF Global in 2011, some investors were locked out of their accounts and couldn't trade their positions **for weeks**. As a result many of them incurred massive losses (imagine owning stocks and not being able to sell them during a crash).

I bring all of this is up because custody risk is one of the biggest, most important issues to consider if you want to maintain your wealth when the next round of systemic risk hits.

With that in mind, now is the time to be assessing the custody risk for your various assets. Review the custody risk clauses for the firms that have custody of your portfolio and account. Find out what would happen in the even that the firm failed. And by all means MAKE SURE your money is actually there.

This goes for your stock holdings, bond holdings, money market accounts, even your Gold. I can assure you that large-scale investors have begun this process already.

If you are forced for whatever reason to maintain a significant percentage of your wealth in actual cash, assess the banks' systemic importance. I cannot provide detailed information here because I am not a tax or legal expert. However, I CAN suggest the following:

1) Do not keep large deposits with any of the "systemically important" banks (any bank too big for the FDIC to prop up).
2) Do not keep large deposits in any publicly traded banks as they are exposed to anything that happens in the stock market.
3) Do not keep large deposits in any banks that have large derivative exposure (see the graph below for a list of the top 25 in the US).
4) Put your money in a bank that has low leverage and a low risk loan portfolio.

Below is a list of the top 25 "systemically important" banks based on derivative exposures. These are all banks that will have significant custodial risk in the even of a crisis. Indeed, as I noted before, JP Morgan is already forbidding clients from storing cash in safe deposit boxes at its branches.

Top 25 US banks by derivative exposure (in millions of $USD) as of 2021.

RANK	BANK NAME	LEGAL ENTITY INDENTIFIER	TOTAL ASSETS	TOTAL DERIVATIVES
1	JPMORGAN CHASE BANK NA	7H6GLXDRUGQFU57RNE97	$3,207,521	$52,671,225
2	GOLDMAN SACHS BANK USA	KD3XUN7C6T14HNAYLU02	288,623	50,541,949
3	CITIBANK NATIONAL ASSN	E57ODZWZ7FF32TWEFA76	1,684,634	46,478,190
4	BANK OF AMERICA NA	B4TYDEB6GKMZO031MB27	2,316,773	18,526,058
5	WELLS FARGO BANK NA	KB1H1DSPRFMYMCUFXT09	1,773,157	10,716,099
6	STATE STREET BANK&TRUST CO	571474TGEMMWANRLN572	313,281	2,675,651
7	HSBC NA	1IE8VN30JCEQV1H4R804	194,912	1,701,445
8	BANK OF NEW YORK MELLON	HPFHU0OQ28E4N0NFVK49	383,939	1,072,364
9	U S BANK NATIONAL ASSN	6BYL5QZYBDK8S7L73M02	542,566	706,864
10	PNC BANK NATIONAL ASSN	AD6GFRVSDT01YPT1CS68	469,299	466,388
11	NORTHERN TRUST CO	6PTKHDJ8HDUF78PFWH30	163,541	319,071
12	TRUIST BANK	JJKC32MCHWDI71265Z06	506,471	307,151
13	TD BANK NATIONAL ASSN	03D0JEWFDFUS0SEEKG89	411,622	280,996
14	CITIZENS BANK NATIONAL ASSN	DRMSV1Q0EKMEXLAU1P80	187,182	217,329
15	CAPITAL ONE NATIONAL ASSN	207ALC1P1YM0OVDV0K75	369,908	168,125
16	MUFG UNION BANK NA	OX3PU53ZLPQKJ4700D47	134,785	166,680
17	BOKF NATIONAL ASSN	FU7RSW4CQQY98A2O7J66	47,239	152,606
18	FIFTH THIRD BANK NA	QFROUN1UWUYU0DVIWD51	205,490	150,528
19	KEYBANK NATIONAL ASSN	HUX2X73FUCYHUVH1BK78	174,008	136,963
20	REGIONS BANK	EQTWLK1G7ODGC2MGLV11	152,519	131,098
21	MORGAN STANLEY BANK NA	G1MLHIS0N32I3QPILB75	179,805	84,402
22	HUNTINGTON NATIONAL BANK	2WHM8VNJH63UN14OL754	125,419	81,429
23	MANUFACTURERS&TRADERS TR CO	WWB2V0FCW3A0EE3ZJN75	150,096	78,146
24	FIRST HORIZON BANK		87,114	57,949
25	BBVA USA	C90VT034M03BN29IRA40	101,926	54,391

Some commentators have suggested moving money abroad to protect your capital. However, according to US tax code, any foreign bank account or ownership of a foreign financial asset greater than $10,000 *must* be reported to the IRS. Failure to do so can result in fines of up to $250,000 (or 50% of the amount) whichever is greater and up to FIVE YEARS jail-time.

Again, I am not a tax or legal expert. If you're planning on moving money out of the US to keep it safe (or wherever you are located) you NEED to talk to a lawyer about what has to be reported and what doesn't. And I definitely suggest reviewing the custody risk of your financial holdings with an attorney.

This concludes this report. We cannot provide very specific recommendations because everyone's individual situation is different. However, the above strategies will go a long ways to helping you prepare for the War on Cash.

This concludes this report. Thank you for reading.

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