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PERSONALLY STORING SILVER COINS AND BULLION

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SILVER CERTIFICATES: PAST AND PRESENT

Throughout history, regardless of what governments have said, precious metals have been viewed by the people as real money. Even in today's global dot-com economy, studies show allocating between 7 and 16 percent of your assets in gold, silver, and platinum maximizes gains while minimizing risk. But many investors feel gold has already had its major bull run, and thus silver is the precious metal of choice.

There are numerous bullish signs for silver. It is more rare and in greater demand for industrial use today than at any time in history. There is a large concentrated short position in the futures market. Silver leasing, which artificially suppressed the price of silver for nearly a decade, is a thing of the past. And the historical silver-to-gold ratio is near all-time highs, meaning it takes more silver to buy an ounce of gold today than almost any other time in history—and many experts think we're due for a correction.

But the main drawback for individual investors who want to own real silver is the storage costs. Historically, this problem has been answered with silver certificates, which are paper notes entitling the bearer to a specified weight of silver. Many U.S. dollars were once silver certificates, and these old notes continue to trade as collectibles. But there are also privately issued, redeemable silver certificates in circulation today, offering a more portable alternative for people who want to own silver.

Early U.S. Silver Certificates

Upon inception as a nation, the United States was on the bimetallic, gold and silver, standard, and this monetary system was orchestrated by the nation's first Treasury Secretary, Alexander Hamilton. However, because the market values of gold and silver fluctuate independently of one another, this system was not very stable. In fact, by the end of the Civil War, silver had depreciated versus gold to such an extent that the bimetallic standard had essentially given way to a monometallic, silver standard. Gold's market value was higher than the government tried to dictate, and thus, citizens took it out of monetary circulation.

Then in 1873, Congress passed the Fourth Coinage Act, taking the U.S. off the nominal bimetallic standard and instituting our first gold standard. Unfortunately for some folks, this led to a major contraction of the money supply, which was particularly painful for debtors, most of who were subsistence farmers. This led to the Populist Revolt—the first, and to this date, only, broad political movement based on monetary theory. In fact, the politics of the post-Civil War, pre-World War I era were largely dominated by monetary policy debates pitting goldbugs vs. bimetallic or silver enthusiasts.

Eventually, a compromise was reached. The silver advocates did not get the “free and unlimited coinage of silver” they wanted, but they did get silver certificates. U.S. government silver certificates were issued from 1878 through 1957, and remained in circulation until 1968. That year, all silver redemptions were halted, and thus, surviving silver certificates issued by the U.S. Treasury are no longer convertible into silver—although the certificates do have collectible value.

Modern Silver Certificates

Silver certificates are still issued and circulated by various private banks and investment companies. Although these certificates may not be legal tender, they do legally entitle their bearers to a stated amount of silver, which is stored in a secure location, and is usually redeemable on demand.

The benefits of these silver certificates are obvious: First of all, they outsource the task of storing and protecting the underlying silver bullion or coinage. If you were to own a substantial amount of silver bullion that you stored yourself, you alone would be responsible for keeping it secure. You would probably have to buy a safe and take out additional insurance against potential theft. With silver certificates, the holding company takes care of these tasks for you. Secondly, there is the issue of actually

procuring the silver in the first place. Silver is heavy and thus expensive to transport. Silver certificates are much more easily traded among investors.

The drawback of silver certificates versus bullion or coinage is the certificates are only as good as the issuer. If the private bank or institution issues silver certificates went bankrupt, holders of the certificates probably will not receive the full face value of his or her notes.

There is, however, one government-backed series of silver certificates still being issued: The Perth Mint Certificate Program (PMCP). The PMCP is owned by Gold Corporation, a precious-metals refining, minting, and trading company, which is wholly owned by the government of Western Australia (the equivalent of a state government). The PMCP also issues gold certificates, and today, these gold and silver certificates are the only government-guaranteed precious-metals certificates in the world.

The Liberty Dollar

The most notable private currency issued in the United States is the Liberty Dollar. Liberty Dollars are issued in both gold and silver, and in coinage and certificate form. For example, Liberty Services, Inc.—the issuer of Liberty Dollars—produces a “twenty dollar” silver certificate equal to one ounce of silver. The silver is stored by the Sunshine Mint in Coeur d’Alene, Idaho.

One immediate problem with these silver certificates is the arbitrary price. Currently, Liberty Dollar silver certificates are marked with a $20 face value, but are redeemable for only one ounce of silver. Since the current price of silver is roughly $13 an ounce, this means Liberty Dollar silver certificates come with a $7 premium, which is subject to change with the price of silver. For example, if silver jumped to $15 an ounce, then the Liberty Dollar silver certificate would have just a $5 premium. If silver fell to $8 an ounce, then the premium would be $12.

It is this dollar-denomination that many hard-money enthusiasts take issue with. Since the purpose of precious metals is to hedge against inflation, and the U.S. dollar is inherently inflationary, a disconnect between the face value of Liberty Dollars and the value of the underlying gold or silver will always exist. In fact, when Liberty Services, Inc. first issued silver Liberty Dollars, they were valued at $10 an ounce, rather than $20.

Final Thoughts

Silver certificates are an excellent method of investing in silver without the encumbrances of actually holding it. But whereas coins and even old silver certificates may have numismatic value, newly issued silver certificates do not, so you should not pay a significant premium for them. Also, keep in mind that certificates carry their own risk with them and are only as good as the issuer. For

this reason, Perth Mint silver certificates should be given preference over those of other issuers, but if practical, real silver in coin or bullion form is the safest, most secure way to invest in silver.

Bunker Hunt's Attraction to Silver: A History of Cornering the Silver Market

The 1983 Hollywood comedy, Trading Places, offered many laymen their first glimpse at the hustle-and-bustle world of commodities trading. The film features a pair of imperious billionaire brothers, the Dukes, who attempt to add to their fortune by illegally manipulating the price of orange juice in the futures market.

The protagonists, played by Dan Akroyd and Eddie Murphy, foil the brothers' plot and leave the Dukes disgraced and penniless. But although the movie was a work of fiction, the Duke characters were in fact based on a pair of real-life brothers—Bunker and Herbert Hunt—and their story is truly stranger than fiction.

H.L. Hunt and Heirs

He Hunt Brothers' story begins with their father, H.L. Hunt, who, when he died in 1974, was the richest man in America. But despite his sons' affinity for the precious metal, H.L. Hunt was not born with a silver spoon in his mouth. To the contrary, H.L. left home at sixteen and worked as a dishwasher, a mule-team driver, a logger, a farmhand, and a construction worker, before finally finding his true calling—poker.

By age thirty-six, poker had made H.L. Hunt a small fortune, which he rolled into his next investment—Florida

real estate. After profiting from that boom, Hunt took the proceeds and began drilling for oil. This is how he became the world's richest man—always taking bigger and bolder risks, and routinely coming out on top — at least in his business life. On the personal front, H.L. had a little more than he could handle.

He had one wife in Texas and another in Florida—at the same time, and separate families in both states. When his first wife died, he took a third wife with whom he had already had four children. All in all, he had fifteen sons and daughters, many of who went on to become moguls in their own right. Bunker and Herbert were chief among them.

From Failure to Extreme Wealth

Nelson Bunker Hunt (who went by "Bunker") was born in 1926, the second-eldest son of H.L. and his first wife, Lyda. Their eldest son, Hassie, had a mental condition that ultimately led to a full-frontal lobotomy, but prior to that, Hassie had struck out on his own in the oil business, amassing a considerable fortune before his twenty-fifth birthday.

With Hassie incapacitated, Bunker was the heir apparent to his father's fortune. He owned and operated Penrod Drilling Company with his brothers William Herbert (who, like his brother Nelson Bunker, also went by his middle

name) and Lamar, and Placid Oil Company with five of his siblings. But Bunker would gain the most notoriety—and wealth—for his individual efforts in business.

Initially, Bunker's own ventures were not very successful. He lost $11 million drilling in dry holes in Pakistan, and after leasing two tracts in Libya, he eventually had to sell a 50% stake in one of them in order to meet cash-flow demands. By twist of fate, that tract held the largest oil-field yet discovered in Africa, and in 1961, Bunker surpassed his own father to become the richest man in the world (excluding monarchs and despots).

Bunker's Attraction to Silver

In what is widely characterized as one of the most draconian acts in the history of the United States government, President Franklin Delano Roosevelt signed Executive Order 6102, "The Gold

Confiscation Act," on April 5, 1933. For the next forty-one years, it was illegal for U.S. citizens to "hoard" gold. With gold, the traditional store of wealth, out of the question, Bunker Hunt decided to hold his oil profits in silver.

The early 1970s were a prosperous time for Bunker. His Libyan oil leases were producing $30 million a year, even as oil was priced at just $3 per barrel. But nevertheless, Bunker did not like what he saw when he surveyed the

global economic landscape. Years of post-New Deal Keynesianism was starting to catch up with the U.S., and inflation was gaining steam. The war in Vietnam was unpopular, and people were rioting in the streets.

Confidence in the federal government was at an all-time low, and the Middle East—where Bunker held so much of his wealth—was extremely volatile.

Silver was just $1.50 an ounce when Bunker and his brother Herbert began buying it in 1970. Over the course of the next three years, the brothers purchased approximately 200,000 ounces of the precious metal, and saw it double in price to $3 per ounce.

Then in 1973, Moammar al-Qaddafi nationalized Bunker's oil fields and demanded a 51% royalty. Understandably, Bunker was furious. He was incensed that the State Department didn't do more to defend his property, and he was also angry at the major U.S. oil companies for not taking a tougher stand against Qaddafi.

He blamed his long-time rivals, the Rockefellers, whom he considered to be pseudo-socialists, for the loss of his Libyan oil filed, and Bunker firmly believed that the U.S. was on the road to serfdom. As a hedge against what he saw as the inevitable, Bunker ramped up his silver buying.

Silver Mania: 1974 to 1980

By 1974, Bunker and Herbert had accumulated futures contracts for approximately fifty-five million ounces of silver—8% of the global supply at that time. But rather than selling the contracts to turn a profit, as most commodity traders do, the Hunt brothers had every intention of taking delivery of their silver—and they didn't intend to keep it in the U.S. either.

The conservative Hunts, who were members of the John Birch Society, believed another government confiscation was on the horizon, and since the feds had already taken gold, silver would be next. Thus, Bunker and Herbert chartered three 707 jets from Texas to Chicago and New York—in the dead of night—and loaded them with forty million ounces of silver to be whisked away to Switzerland for safe keeping. The remaining fifteen million ounces stayed in the U.S., but the Hunts would assume no greater risk.

By that spring, silver doubled again to $6 per ounce. Rumors abounded that the brothers were attempting to corner the market, thus sending prices higher. The Hunts met with the Shah of Iran and the King of Saudi Arabia, and although the Shah snubbed them and the King was eventually assassinated, the Hunts eventually began working with a Saudi sheik who was thought to represent his nation's royal family. By 1976, the brothers had ac-

cumulated another twenty million ounces of silver, and by '79, the price had risen to $8 an ounce.

By this time, there was a legitimate silver shortage. Over forty-three million ounces were purchased through the COMEX and the CBOT, with delivery scheduled to take place that coming fall. This caused the price to double yet again, this time from $8 to $16 an ounce in just two months. The COMEX and CBOT attempted to place new restrictions on the ownership of silver, but the Hunts bought even more, and soon the price had reached an astonishing $34.45 per ounce!

The price of silver continued to climb. On January 17, 1980, it hit $50 an ounce. At that time, the Hunts held $4.5 billion in silver—a $3.5 billion gain on their $1 billion investment. The various limitations and rules changes imposed by the commodities markets had no effect but to push the price of silver higher, until finally the COMEX announced that it was suspending the trading of silver and henceforth would only accept liquidation orders.

Of even greater significance, Paul Volker had been installed as the Chairman of the Federal Reserve, and Volker was determined to get runaway inflation under control. The Chairman abruptly raised interest rates, thus soaking up the excess liquidity which had helped fuel the

silver boom. The price of an ounce quickly dropped to $39, and by March 14, it was down to just $21.

Nevertheless, the Hunts could have made billions if they had known when to get out of the market. But alas, as the price of silver fell to $21, the brothers had future contracts obligating them to buy at upwards of $50 per ounce. On March 25, 1980, the Hunts couldn't make their $135 million margin call, and Bunker phoned his brother Herbert with three ominous words: "Shut it down."

Is Silver Manipulation Happening Again?

Silver closed at $21.62 per ounce on Wednesday, March 26, 1980. But the following day—the infamous "Silver Thursday"—saw the value of the precious metal decline by more than 50%, closing at just $10.80. The Hunts had assets of $1.5 billion but liabilities of $2.5 billion—making them the greatest debtors in the history of finance (excluding governments, of course). Ultimately, they had to be bailed out by their despised enemies, the New York banking establishment, who issued them $1.1 billion in credit to make good on their obligations.

In 1988, Nelson Bunker Hunt filed personal bankruptcy and was convicted of illegally attempting to corner the market in silver. But don't shed a tear for Bunker—the trusts set up for him by his father are currently valued at

more than $200 million. Bunker exited bankruptcy in 1989, and had satisfied a $90 million debt to the IRS by 2006. Even more so than his commodities-market exploits, he is best known as a owner-breeder of thoroughbred racehorses, for which he has won numerous awards.

The message of the Hunt brothers story is a lack of financial education can be the downfall of any silver investor—even billionaires. In many investors opinion, it is much preferable for investors to hold silver as bullion or, alternatively, through the indirect ownership of silver mutual funds. Although, individual financial education is required for success in any market.

Although it is unlikely that a pair of wealthy brothers could corner the market in silver today, the short ratio of silver is quite high, and upwards of 90% of these short contracts are held by just four traders.

Precious metals are typically held as a hedge against government mismanagement of fiat currency, but the silver market seems poised for yet another dramatic swing.

Government Confiscation of Gold: It Happened Before — Could It Happen Again?

Our nation was founded with the sacred words, “We hold these truths to be self-evident, that all men are created equal; that they are endowed by their Creator with certain unalienable rights; that among these are life, liberty and the pursuit of happiness.” But in 1933, all that was shattered if by “pursuing happiness,” you chose to pursue gold.

The Foundations of the Great Confiscation

Confiscation all dates back to the Trading with the Enemy Act of 1917. That year, President Woodrow Wilson signed the “TWEA” into law, forbidding American individuals and businesses from engaging in trade with “enemy nations.” The world’s functional gold standard, which had overseen tremendous global economic growth in the early years of the twentieth century, was effectively halted by the outbreak of World War I, and the stage was thus set for the Great Depression and World War II.

Shortly after taking office sixteen years later, Franklin Delano Roosevelt signed Executive Order 6102 into law, prohibiting the “hoarding” of gold. Under this executive order, Americans were prohibited from owning more than $100 worth of gold coins, and all “hoarders” (i.e. people who owned more than $100 worth of gold) were forced, by law, to sell their “excess” gold to the government at the prevailing price of $20.67 per ounce.

Then, once the government had all the gold, FDR revalued the dollar relative to gold so that gold was now worth $35 an ounce. By simple decree, the government had thereby robbed millions of American citizens at a rate of $14.33 per ounce of confiscated gold, which is why most historians agree that the Gold Confiscation of 1933 is the single most draconian economic act in the history of the United States.

The Utilitarian Rationale Behind Confiscation

The reasoning behind the Great Gold Confiscation was, of course, the Great Depression, which had begun several years prior. After an inflationary run-up in prices and asset values, the stock market crashed in 1929, and the economy soon went with the crash.

Rather than responding to the situation with laissez-fair wisdom, President Herbert Hoover, often accused of being a proponent of laissez fair by those to whom the term is considered an epithet — instead raised taxes and erected new trade barriers, intensifying the misery. When FDR was elected, the people were willing to go along with nearly anything to try to alleviate the deflation that had gripped the country and strangled economic activity.

The boom of the 1920s was largely an illusory creature of the still-new Federal Reserve's gross ineptitude, and

by the thirties when reality had caught up to the loose-money standards of the prior decade, the money supply quickly contracted, causing deflation.

Like inflation, deflation also begets more of itself, and as prices dropped, it became wiser for the possessors of money to hold it rather than spend it, since prices would be lower the next day — and even lower the day after that — ad infinitum.

Since no one was spending money, businesses went under and people were out of the work, thus making the situation worse. In response, FDR knew what needed to be done — prices needed to be stabilized. On this, few would disagree. The exception economists take is with the implementation the president chose to pursue.

First, as discussed, private ownership of gold was effectively barred. The only exceptions were coinage worth $100 or less, or collectible coins, industrial uses, and jewelry. Gold could not be “hoarded” as a significant investment, and all “hoarders” were made to sell their gold to the government.

The Federal Reserve itself — a private banking cartel more so than an arm of government — was not excluded from this requirement either, as made clear by the Gold Reserve Act of 1934. That legislation required the Fed to

surrender all gold and gold certificates held, to the United States Treasury.

Finally, the dollar was revalued, and U.S. Dollars was then redeemable at a rate of $35 an ounce, as opposed to the old gold standard of $20.67. However, it's important to note that only foreign bankers and international governments could redeem their dollars for gold — private gold ownership was still illegal in the U.S. until the end of 1974.

The effect revaluation had on the U.S. dollar was an instant depreciation of 41%. Thus, prices were pushed back up again, in nominal terms, at least. What the long-term effects of this action would have been in the absence of World War II will never be known, but within a few years, the U.S. war economy was humming.

Following the end of the second great war, the U.S. stood alone as an economic super power, virtually untouched by the Axis or Allies, while most of Europe lay in ruins. It all made Roosevelt's coercive and unconstitutional acts look ingenious, but scholars from the left and right continue to debate whether they were truly wise or if the New Deal was bailed out by global externalities.

Gold Confiscation: Could it Happen Again?

Although the U.S. dollar is constantly under pressure, the U.S. government continues to stockpile debt, and impossible-to-fulfill entitlement commitments loom on the horizon, the idea that the U.S. government would try to confiscate citizens' gold today or anytime in the fore-seeable future certainly seems spurious at best. After all, the government did so in the past in order to recalibrate the gold standard, which we have not been on since 1972.

However, our government has become increasingly bold in its refusal to be restrained by the Constitution, and following the return to limited government (at least in rhetoric) by the Reagan administration in the eighties, the Constitution has been all but ignored by subsequent administrations and congresses.

The government might want to reenact gold confiscation, and most congressmen would feel no moral compunction about doing so, but logistically, it would seem virtually impossible in today's globally interdependent and well-connected economy.

Investors might need to beware, however, if certain interest groups on the left and right get their way and begin building walls, both literally and figuratively, around the country in an effort to block that global inter-dependence. Protectionism and higher taxes led to the greatest depression in U.S. history, and along with it came gold con-

fiscation. It would probably take a similar impetus for such a sequence of events to happen again.

Silver Mutual Funds Offer Another Option for Investors

There are numerous ways to invest in precious metals these days. Bullion and rare coins have always been investment options, and they're still good ones. Gold and silver certificates and privately minted coins are some other choices. And there are also mutual funds that can offer you exposure to the precious-metals sector.

There are about thirty mutual funds which invest in both gold and silver. But as you will see, the investment styles and strategies of these funds vary greatly. Some invest primarily in mining stocks, while others hold bullion or coins. Still others offer a balanced approach. And finally, there are the exchange-traded index funds tied directly to the bullion price of gold and silver. One thing is for sure—it's never been easier to invest in precious metals.

Two of the Best Precious-Metals Funds

Two of the best precious-metals mutual funds are Vanguard Precious Metals and Mining (ticker: VGPMX) and Permanent Portfolio (PRPFX). Both of these funds received five-star ratings from Morningstar, and yet they are quite different.

The Vanguard Fund is heavily stock-based mutual fund. As of July 31, 2007, 97% of its $4 billion in assets were invested in equities, with its largest holdings Lonmin (LMI), Impala Platinum (IMPUY), Anglo Platinum (AGPPY), and Aber Diamond Corporation (ABZ). All four of these stocks are foreign and can only be purchased by U.S. investors through ADRs—buying the fund is much easier.

As of July 31, 2007, Vanguard Precious Metals and Mining had a one-year annualized return of 22.29%. Its three-year return was even better, at 39.88%. And its five-year return was 34.01%. An investment of $10,000 five years ago would be worth $43,220 today.

Another amazing feature about the Vanguard Fund is its incredible Sharpe Ratio of 1.41 (five-year return over risk). In fact, based on the fund's three-year, five-year, and ten-year data, Morningstar assigned it a return designation of "high," and a risk designation of "low."

Permanent Portfolio (PRPFX) didn't fare quite as well. Its three-year, five-year, and ten-year returns are designated as "high," but it's risk is also "high" or "above average." What's more, its returns haven't been as high as Vanguard's—just 8.1%, 11.75%, and 13.06% for one, three, and five years, respectively.

But Permanent stands out when you look at its worst returns. In its history as a fund, the worst three-month period it has ever experienced is -5.58%. By comparison, Vanguard shareholders would have suffered a -29.8% three-month period if they held the fund long enough.

Remember, the Vanguard Fund is 97% stocks. Permanent Portfolio, by stark contrast, is much more well balanced. As of July 31, 2007, it was 23% in cash, 32% in stocks, 21% in bonds, and 24% in "other"—which, as you might guess, means mostly precious metals. In fact, its four largest holdings are U.S. Golden Eagles, Gold Canadian Maple Leafs, COMEX Gold, and COMEX Silver.

It's easy enough to look at these two funds and say Vanguard is superior, but it really depends on what you want as an investor. Do you want a well-managed mining-company fund, or do you want a mutual fund that gives you real exposure to gold and silver? If the answer is the latter, than Permanent Portfolio is your best bet.

One Not-So-Good Fund

Of the thirty gold and silver funds, only two received a five-star rating. Three others received four stars, and all the rest but one were either given three stars or weren't rated. There was just one two-star fund: RiverSource Precious Metals & Mining.

Like the Vanguard Fund, RiverSource is predominantly stock-based. As of July 31, it had 96% of its $120 million invested in equities, more than half of which were foreign securities. Unfortunately, its selections haven't panned out as well as Vanguard's, with only a 7.06% year-to-date return.

Another negative aspect of RiverSource is its ultra-high expense ratio of 2.15%. By comparison, Vanguard has an expense ratio of just 0.35% and Permanent Portfolio's is just 1.11%. Both of the five-star funds are no-load, whereas RiverSource has a 1% back-end load. All of these fees and expenses can really take a bite out of your returns, especially when the fund's performance isn't all that hot to begin with!

Exchange-Traded Funds

Finally, there are exchange-traded funds (ETFs) that allow investors a more direct access-point to gold and silver. For gold, there is streetTRACKS Gold (ticker: GLD), and for silver, there is iShares Silver Trust (SLV). Both of these funds are tied directly to the price of their corresponding precious metal, and invest in nothing other than gold and silver, respectively.

For example, streetTRACKS Gold is priced so that one share of the fund is equal to 1/10 an ounce of gold. The

iShares Silver Trust is priced so that one share equals ten ounces of silver. However, these ratios don't always hold up—GLD recently traded for $66.57 a share while gold was $670 an ounce; and SLV traded at $127.65 while silver was priced at $12.79. Nevertheless, these ETFs do give investors an easy way to own gold or silver, at least on paper.

It's As Easy as Point and Click

So what is the best way to invest in precious metals? It's really up to you—your preferences and investment goals. The only thing you must be sure of is if your strategy matches your investment objectives. For example, if you want real exposure to gold and silver, it's much better to purchase Permanent Portfolio than the Vanguard Fund—but even better yet to buy GLD and/or SLV.

But if maximum exposure isn't your goal, the Vanguard Fund could be a great investment. The best news is there are dozens of options which simply didn't exist ten or twenty years ago. Now, with nothing more than a few hundred dollars and Internet access, anyone can hedge with and profit from precious metals.

iShares Silver ETF (Exchange Traded Fund) Reviewed

An Exchange Traded Fund (ETF) is a pretty nifty investment vehicle. Much like a mutual fund, an ETF allows many investors to pool investment funds and buy shares in a professionally managed investment fund. What makes an ETF even more attractive is that shares of an ETF trade exactly like a stock: they can be bought, sold and shorted almost instantaneously.

Moreover taxation on ETFs are more favorable than with traditional mutual funds. Most ETFs specialize in particular groupings of companies and industries that have certain common characteristics. Moreover, expenses for ETFs are low and range between .1% to 2%.

SLV-New opportunity or new turkey? On August 28, 2006, after much controversy and scrutiny by the SEC, the first silver exchange traded fund- Barclays iShares Silver Trust (AMEX:SLV) – was launched on the American Stock exchange.

The fund was touted as a new vehicle for investors to help diversify risk across many silver industry companies and have their shares backed by physical silver inventory.

Nice idea. But thanks to some smart investors with some free time and a penchant for detail, some rather disap-

pointing-and in some cases-shocking- facts have since been uncovered.

At first, one of the main concerns during SEC discussions before SLV was allowed to be brought on stream was the potential impact on silver prices. Most silver investors know that silver is in short supply and estimates place about only 5% of the available supply as “excess” and thus capable of becoming the “tail wagging the dog”.

And sure enough, even before the fund was approved, the rumor sent silver prices to their highest levels since the Hunt brothers cornered the market back in 1980. But despite this concern, the fund was given the approval.

After an initial run-up and sell-off (“buy the rumor and sell the news”), the fund’s share prices now seem to have stabilized and closely track silver prices. But other facts still cloud the fund.

James Turk, a knowledgeable silver investor and silver analyst, seems to have done silver investors a favor by taking out his magnifying glass and going over the required fund prospectus.

In his article, he points out the fact that contrary to the hype, SLV fund shares are not totally backed by physical inventory. As a matter of fact, the inventory shortfall de-

demonstrates another fear of silver futures investors- that they may not be able to get delivery of silver contracts if they are called for delivery if contracts exceed actual silver supply.

But what has become even more disturbing is the fact that the fund is not under the jurisdiction of the SEC! The fund is not subject to regulation by the SEC as an investment company.

Consequently, the owners of SLV do not have the regulatory protections provided to investors in normal investment companies. To add more suspicion, Turk uncovered the fact that the prospectus allows the fund to use a mechanism called SPEs (special purpose entities) which were used by Enron to defraud its investors. Incredible!

So far, Barclays- the owner of SLV- has not made a formal rebuttal to these serious accusations.
As far as other Silver ETF opportunities, there are three other Swiss Silver ETFs but they are only available to Swiss citizens. So, for now, SLV is the only active silver ETF.

Considering the fact that there are some serious doubts that SLV is not what it was designed to offer investors- a cost-effective means of making an investment similar to holding silver- investors are probably best advised to fully

educate him or herself before investing in the Silver Exchange Traded Fund.

Retire on Silver: Putting Bullion in IRAs

Individual Retirement Accounts (IRAs) were established by the Employee Retirement Security Act (ERISA) of 1974. IRAs allow most Americans, subject to income limitations, to invest up to a maximum of $4,000 per year ($5,000 if you're age 50 or older) in a tax-sheltered account. Typically, investors buy stocks, bonds, and mutual funds with their IRA money, but can precious metals also be held in an IRA? Yes.

The Basics of IRAs

There are two major types of IRAs: Traditional IRAs, which came into being via ERISA in 1974; and Roth IRAs, which was established by a 1988 tax law chiefly sponsored by Senator William Roth of Delaware.

Traditional IRAs allow individuals to invest up to $4,000 of pre-tax money into their accounts each year. This means that for every $1 contributed to your IRA, you receive a $1 tax deduction. The money in your IRA is allowed to compound tax free, but then when you begin withdrawing it upon retirement, your withdrawals are taxed as regular income.

Roth IRAs, on the other hand, use after-tax money. This means you do not get a tax deduction for your contributions. However, the good news about a Roth is they also

compound tax free, but when you begin making withdrawals the withdrawals are 100% tax free as well. Since you didn't get a tax deduction when you contributed, you already paid taxes on the money — luckily, the government has decided to "generously" not tax you a second time.

Precious Metals in Your IRA?

Because IRAs were written into law by government, the government unfortunately has a say about what you can put into your IRA. Stocks, bonds, mutual funds, cash, and even real estate (with some exceptions) are all fair game — subject to the rules imposed by your IRA custodian (i.e. Ameritrade or Edward Jones, etc.) But what about gold and silver?

For the first twenty-three years following ERISA, Gold Eagles and Silver Eagles were the only eligible gold and silver investments you could put into an IRA. This was especially negative for fans of silver, since Silver Eagles typically carry an $1.80 per-ounce premium over the price of silver bullion! But fortunately, in 1997, Congress passed a law expanding the eligible precious-metal assets investors could put into their IRAs.

Chief among these newly allowed assets was bullion. Since the premium on Eagle coins was so much greater

for silver than for gold, this allowance has been a real boon for silver investors. Coins other than Eagles were also admitted into IRAs in 1997, but they must be at least 99.5% pure and serve as legal tender in order to qualify as IRA investments. While this greatly expanded the number of gold-coin offerings (Gold Maple Leafs, Kangaroo Nuggets, Philharmonikers, and the Perth Mint's Lunar Series all make the grade), it kept the eligible silver coins limited to Silver Eagles and Silver Maple Leafs — both of which sell at high premiums to the commodity price of silver.

Some coins that are not eligible for IRAs include Kurgerrands (only 91.67% pure) and old U.S. gold coins (90%), as well as pre-1965 silver coins (also 90% pure). Coins come with their own speculative value, and since silver coins are currently trading at a substantial premium to silver bars, most investment analysts advise clients to buy bullion if they want to hold silver in their IRAs.

Finding an IRA Custodian

Most investment brokers, including virtually all of the online discount brokers, will serve as your IRA custodian, and they will usually do so at no added expense. However, most of these mainstream investment houses will not allow you to have bullion in your account. American

Church Trust (http://churchtrust.com) is one custodian that will allow you to invest in precious metals.

It's important to note here that you can have more than one IRA custodian. If you so desired, you could have one IRA through Ameritrade or Zecco.com in which you invested in stocks, another with T-Rowe Price in which you purchased mutual funds, and a third with American Church (or some other precious-metal-allowing custodian) in which you bought bars of silver. The only rule is you may not contribute more than $4,000 in a single year to all of your combined accounts, and this limit is the sum of both your Traditional IRA and Roth IRA, if you choose to use both.

It's also important to note that you cannot store your IRA bullion yourself — it must be stored by an IRS-approved depository. In fact, even American Church does not hold its clients' gold or silver; HSBC does it for them. Finally, it's important that gold and silver investors know that they cannot put bullion they already own into their IRAs. Blame the IRS for this seemingly arbitrary rule!

Other Plays on Gold and Silver in Your IRA

Alternatively, you could simply invest in gold- or silver-mining stocks. This, of course, is far from a perfect corollary to the price of bullion, and carries with it its own

unique advantages and disadvantages. However, if your primary concern is to have a hedge against inflation and/or economic calamity, bullion
is a much better option.

A more effective way of owning precious metals in your IRA without going to the trouble of purchasing the actual bullion is to buy gold and silver exchange-traded funds. Street TRACKS Gold Shares (ticker: GLD) and iShares Silver Trust (ticker: SLV) mimic the price of their underlying metals by buying and selling bullion in the open market. GLD, for example, is roughly equivalent to 1/10 of an ounce of gold, while SLV approximates ten ounces of silver.

But there's always the potential for disconnect between the ETFs and the assets with which they're backed. The truest and most reliable hedge, no matter how sophisticated new financial instruments become, has always been and likely always will be real precious metals. Gold investors have been able to benefit from putting Gold Eagles into their IRAs for the past thirty-three years, and for the past decade, silverbugs have been able to join them.

A recent study by Ibbotson Associates demonstrated the benefits of putting a portion of your assets into precious metals, so investors would certainly be wise to set aside

a slice of their IRAs for gold and silver. If history is a reliable guide, doing so will increase your returns while minimizing your risk.

ENHANCE RETURNS AND REDUCE RISK BY DIVERSIFYING YOUR PORTFOLIO WITH PRECIOUS METALS

As the old Wall Street saying goes, “Put 10% in gold and hope it doesn’t work.” A recent study by Ibbotson Associates, commissioned by Bullion Management Services Inc., confirms that might not be such a bad idea. And, historically, that has worked just fine — even in the absence of economic calamity.

The Theory of Diversification

Te idea behind asset allocation is asset classes are diverse. Historically, stocks and bonds tended to appreciate and depreciate in opposite directions. Therefore, a portfolio was sufficiently diverse if it held both stocks and bonds, with maybe a little cash on the side. Gold, so long as the dollar was still tied to it via the gold standard, and other precious metals were rarely given much consideration, since most world currencies were backed by hard assets.

But once President Nixon “closed the gold window” in 1971, an interesting thing began to happen: Stocks and bonds started trading relatively in tandem. For example, from 1926 to 1969, the correlation between stocks and bonds was -0.02; meaning that if stocks as a whole went up by 10%, you could expect bonds to go down by 0.2%, and vice versa.

But since 1970, the correlation between stocks and bonds has ranged anywhere from -0.03 to +0.80. At the far end, this meant when stocks, as an asset class, went up by 10%, bonds went up by 8 % — and if stocks went down by 10%, bonds lost 8% of their value. What good is such “diversification?”

But what of gold and other precious metals? Using the SPMI (Spot Precious Metals Index), which consists of equal parts gold, silver, and platinum bullion, precious metals have had a -0.10 correlation with U.S. large-cap stocks in the years 1972 (the first year gold was detached from the U.S. dollar) through 2004, and a -0.18 correlation with long-term U.S. government bonds. Thus, precious metals proved to be a legitimate diversifying hedge.

Hedging Against Inflation

Another important finding from the study was the SPMI’s validity as a hedge against inflation. U.S. large-cap stocks (-0.22), U.S. small-cap stocks (-0.06), international equities (-0.19), long-term U.S. government bonds (-0.39), and intermediate-term U.S. government bonds (-0.22) all had negative correlations to inflation.

Only 90-day Treasury bills (+0.63) and the SPMI (+0.43) moved in the same direction as inflation. But of course,

the rate of return on 90-day T-bills was not as high as gold, silver, and bullion over the thirty-two-year period, making the SPMI the superior investment.

In fact, the SPMI was the best hedge, not only against inflation, but against all other asset classes. U.S. large-cap stocks, for example, had an average correlation of +0.26 to the six other asset classes. U.S. small-cap stocks' average correlation was +0.22. International equities (+0.15), long-term U.S. government bonds (+0.18), intermediate-term U.S. government bonds (+0.19), and even 90-day T-bills (+0.03) all had positive correlations, but not the SPMI — its average correlation was -0.06, proving to be the only asset class that legitimately diversified investors from 1972 to 2004.

Putting it All Together

Obviously, most financial planners would advise clients against putting all of their eggs into one basket — even if the basket were made of gold, silver, and platinum. Over the course of the thirty-two years examined in the Ibbotson study, the three equity classes (U.S. large-cap stocks, U.S. small-cap stocks, and international equities) outperformed all other asset classes.

However, it is important to note that during the high-inflation years of 1973 through 1984, the SPMI was the

best-performing asset class, giving it the longest run of any of the asset classes.

Every investor knows that there is no one “best” asset class, and winning portfolios contain the best of many, if not all, asset classes. This hunch, which most investors have, was proven empirically by the Ibbotson study.

Ibbotson made three portfolios based on risk tolerance. The conservative portfolio consisted of 4.5% U.S. large-cap stocks, 10.3% U.S. small-cap stocks, 9.6% international equities, 2.4% long-term U.S. government bonds, 30% intermediate-term U.S. government bonds, and 43.2% 90-day Treasury bills.

Given this asset-class mix, the portfolio would have had a 6% annual rate of return from 1972 to 2004. But if 7.1% were invested in the SPMI, the expected return would be boosted to 6.2% while simultaneously minimizing risk (a Sharpe Ratio of 0.464 vs. 0.426 without precious metals — the higher the Sharpe Ratio, the better the risk-adjusted rate of return).

Even more striking were the results of the moderate model portfolios. The moderate model portfolio without precious metals (15.5% large cap, 17.6% small cap, 21.5% international, 8.3% long-term bonds, 25.4% intermediate-term bonds, and 11.8% 90-day bills) had an

8.6% expected return and a 0.437 Sharpe ratio. But by allocating 12.5% of assets into the SPMI, the expected return was increased to 9% and the Sharpe Ratio was boosted to 0.472.

Finally, there was an aggressive model portfolio, which performed best of all. It allocated 19.2% into large-cap stocks, 32.5% into small-cap, 31.6% into international stocks, 7.9% into long-term bonds, 5.3% into intermediate-term bonds, and 3.6% into 90-day T-bills. Without precious metals, this portfolio had an expected return of 11.1% and a Sharpe Ratio of 0.428. But with a 15.7% SPMI allocation, the expected return was boosted to 11.6% and the Sharpe Ratio to 0.453.

The Future of Precious-Metal Investing

Since at least the 1970s, "goldbugs" have been predicting an imminent economic collapse in the U.S. (if not the world) and citing this as the reason everyone should buy gold (or silver or platinum). While there are numerous signs pointing to a potential "Financial Armageddon" in the decades ahead, Ibbotson's study proved that, even in the absence of a global economic implosion, precious metals help diversify, hedge, and improve the performance of your portfolio while limiting risk.

Every investor might think about putting between 7.1% and 15.7% of his or her portfolio into hard assets, but there's no need to "hope it doesn't work" — it will work. The only question is, how well?

DO BULL MARKETS IN GOLD AND SILVER ALWAYS PORTEND RECESSION OR DEPRESSION?

Throughout the history of civilization, gold has been the most stable and truest store of value. Currencies, cities, governments, empires, and even entire nations of people have all fallen, but gold has remained. It is this property of gold that led to the Wall Street adage, “Put 10% in gold and hope it doesn’t work.” But do rising price levels in gold, or for that matter silver, always predict an oncoming economic collapse, or can gold and silver be bullish while the rest of economy prospers?

The Fiat Currency Problem

Hundreds of times throughout history, governments have debased their currencies and ultimately given in to the temptation of printing paper “fiat money” — money that’s backed by nothing but the “full faith and credit” of the issuer. And each and every time, thus far, the fiat money has ultimately collapsed and become worthless.

Why should the U.S. government’s Federal Reserve Notes, which went off the gold standard in 1971, be any different? This, at least, is the case made by hard-core goldbugs and silver bulls. They believe that holding precious metals is the only hedge against an impending and inevitable “Financial Armageddon.”

One thing is indisputable gold and silver have traditionally increased in value as the supply of fiat money expands. This is a natural function of supply and demand: as more and more fiat dollars are put into circulation, the supply of gold and silver, which is relatively "fixed" by comparison — fails to grow at the same speed, and thus, the number of dollars needed to buy one ounce of gold or silver becomes greater and greater.

Whether this actually produces more purchasing power for the precious metal is another story, as this is only the case if the total number of goods and services produced expands faster than the supply of newly mined gold or silver, which, in the case of severe economic downturns, is not always the case. Regardless, the relative buying power of gold and silver has held up better than paper money throughout most periods of time, even in the modern era.

Gold and Silver: A Historic Review

The main problem with measuring the historic performance of gold and silver against the U.S. dollar or most other currencies is that, historically, most money has been pegged to specific weights of gold, silver, or both. Prior to the modern era, purely fiat currencies failed rather quickly. It's impossible to measure the buying power of gold versus the dollar when, for most of the twentieth

twentieth century, the dollar was redeemable in gold at the ratio of $20.67 or $35 per ounce.

This leaves historical analysts a relatively brief window of time — 1972 through the present — to examine. During this time, the value of gold relative to the dollar has been allowed to float. As monetary inflation has accelerated, the price of gold in dollars has risen. As inflation — or more importantly, inflation expectations has abated, and gold has had at least one rather precipitous crash.

For example, when President Nixon “closed the gold window” in 1971, the price of gold immediately spiked from the $35 an ounce at which it had been pegged. By the early eighties, inflation was raging in the double digits per annum, and gold eventually hit an all-time high of $850 an ounce. ($2,100 in inflation-adjusted dollars). But when Paul Volker effectively hit the reset button on the economy, dramatically hiking interest rates and intentionally causing a recession, gold plummeted, and as the Federal Reserve had a better handle on fiat-money management, gold eventually fell to just $272 per ounce by the year 2000.

This is a strong empirical case for gold as a hedge against economic collapse. Theoretically, the price of gold reached $850 an ounce because investors anticipated perpetual inflation and the potential collapse of the

U.S. economic system, but when the truly unexpected happened — the government became more responsible with the money supply — the per-ounce price of gold fell. Crisis averted. But can gold and silver see significant price movements to the plus side even if the U.S. economy remains strong?

Gold and Silver: 2001 and Beyond

The horrific events of September 11th — though emotionally devastating to all — resulted in substantial gains for gold investors. Although most who profited in the aftermath of 9/11 would trade it all away to save even one life lost on that fateful day. The fact is, it's quite likely gold would have turned bullish even in the absence of the terror attacks.

In the years following 9/11, even in the face of an expensive war and an extravagant new Medicare prescription-drug benefit, the U.S. economy has hummed along, with inflation relatively under control and the stock-market indexes all hitting new highs — and yet gold has also been tremendously bullish. Some goldbugs argue because the market is smart enough to realize that the U.S. fiat-money system is ultimately unsustainable, but others point to a real increase in the demand for gold.

After all, non-inflationary economic growth — the kind of growth in which extra dollars compete for even more goods and services produced by the booming economy can still produce a greater demand for gold, and if the supply of gold cannot keep up with demand; then clearly, the price of gold is going to rise. Since 2001, gold has nearly tripled — a feat which, in the absence of near-hyper inflation, has never happened so quickly.

Silver, on the other hand, has forged a different path. Many silver bulls allege that the price of the commodity has been artificially suppressed by a cabal of concentrated short sellers. They cite increased industrial demand for silver, which is used in many high-tech applications, as an ultimately bullish indicator for silver, and this particular trend is amplified by economic growth, not the potential of recession.

Thus, while gold and silver have historically fared best in the face of impending economic doom, it appears things have changed in this new millennium. Now it looks as though gold and silver will perform well in the case of recession or depression, or in the case of continued economic strength. Although, there is a bearish side to every investment story, gold and silver seem uniquely poised to be solid investments under all economic scenarios in the foreseeable future.

Central Banks Lease Gold and Silver; Distorting Markets and Balance Sheets

Libertarian economist Milton Friedman once commented that the principal defect of gold and silver as monetary bases is society spends resources extracting them out of the ground in order to store them—back in the ground—in central-bank vaults. But another libertarian-gone-mainstream, Alan Greenspan, saw another problem with precious metals—metals don't generate interest income.

On July 24, 1998, Alan Greenspan—a former advocate of the gold dollar and opponent the Federal Reserve he now chaired—uttered one sentence that drew the ire of every goldbug on the face of the Earth: "Central banks stand ready to lease gold in increasing quantities should the price rise." What made the goldbugs so mad? And what did Greenspan mean by "leasing" gold?

As far as Greenspan was concerned, Friedman's issue with gold—it was expensive to mine—was somebody else's problem. All Greenspan cared about as chairman of the Federal Reserve, was he had a lot of gold and silver in his vaults that wasn't generating interest income. So under his watch, the Fed began increasing the amount of gold and silver leased to mining companies, as well as to other central banks and foreign governments.

Direct Leasing

The most basic form of precious-metal leasing involves central banks such as the Fed taking their gold or silver to an intermediary institution known as a “bullion bank.” Major firms such as Bank of America, Barclays, Citigroup, Goldman Sachs, JP Morgan Chase, and UBS all operate as bullion banks.

Typically, the bullion banks might pay a 1% interest rate on the gold or silver, with the promise to return it at a specified date. The bullion bank then takes the precious metal and sells it on the open market, using the proceeds to buy Treasury bonds for a 3-4% net return.

But what if the precious metal rises in price and the bullion bank has to pay more for the gold or silver it returns than it received for the gold or silver that it borrowed? To address this concern, bullion banks use the futures market to lock in a price and delivery date of the necessary gold or silver. This cuts into their profit margins but takes all of the risk out. A 1-2% net return with zero risk is a great deal for them. As for the metal lender, a 1% return is better than the 0% return gold and silver earn in underground bank vaults. It’s a win-win for the central bank and the bullion bank—but some argue individual investors lose.

Critics of metal leasing say, because gold and silver leasing artificially increases the supply of the precious

metals for industrial, commercial, and investment uses, thus holding down the prices of the commodities. Central banks and the bullion banks are insensitive to the price of gold or silver—profits are locked in and guaranteed—so this distorts the real supply and demand relationship between buyers and sellers.

But could it be that holding down the price of precious metals is not just a side effect, but the intended effect of leasing? After all, just reconsider Greenspan's words: "Central banks stand ready to lease gold in increasing quantities should the price rise." It's quite possible that, in the absence of gold leasing, government fiat currencies would appear virtually worthless as they rapidly depreciate against gold.

Gold and Silver Swaps

Even more insidious is the action of "swapping," which is most commonly performed with gold. Essentially, two central banks literally swap hordes of gold—with the objective of doing nothing more than muddying the accounting waters.

A second type of gold swap involves only one central bank's gold reserves, which are lent for currency to another central bank. The real problem with this tactic is the banks consider these swaps to be "collateralized loans,"

and thus they don't appear on their balance sheets. No one knows for sure just how much gold and silver the Fed and other central banks have lent to each other this way.

In fact, the situation is getting so bad that the International Monetary Fund (IMF) is actually beginning to take gold swapping seriously. The IMF has recommended that these types of swaps be recorded on the balance sheets of central banks, and the rule could become mandatory by 2009.

Mining Companies

But central banks and the bullion banks aren't the only bad guys in the precious-metal leasing story: Mining companies deserve a share of the blame, as well. Despite the near-sightedness of it, many of these companies participate in the leasing themselves by borrowing gold from the Fed or other central banks, selling it, and then later replacing it with new gold fresh from the mine.

Of course, considering gold leasing suppresses the price of gold, and generally, gold-mining companies benefit from higher gold prices, borrowing gold isn't really in a mining company's long-term interest—but since when has that stopped someone from making a short-term buck?

Is the End in Sight?

For all intents and purposes, silver leasing has come to an end. This happened because, finally, central banks were essentially out of silver. Most silver analysts expected this would result in a major bull market in silver, and while it did impact the market in a positive fashion, the price of silver has still been suppressed by a concentrated short position held four traders whom many analysts consider to be market manipulators.

Gold leasing, on the other hand, is still alive and well. But like silver leasing, it too must come to an end. The difference is when gold leasing is unwound, there won't be a concentrated short position holding gold back. Many goldbug analysts predict gold could see $2,000 an ounce when central banks stop leasing gold.

The question is not if central banks will stop leasing gold—the question is merely when. But the real question is: Will you profit from it?

Gold and Silver: The Historical Relationship and What it Means to Today's Investors

For most of the nineteenth century, it was decreed — by fiat — that 15.5 ounces of silver were equal to one ounce of gold. According to Congressman Ron Paul and other like-minded monetary theorists, this artificial pegging of silver to gold is what created the depressions and panics of the bi-metallic era. To disciples of the Austrian school of economics, a single monetary base — normally gold — must be the basis of money, and the fiat decree of a silver-to-gold ratio is almost as bad as fiat money itself!

But this 15.5:1 ratio is still with us to this day. Why is it so persistent? Could it be that there is some validity to the historical ratio? Since the current ratio is fifty-two ounces of silver for every one ounce of gold, a supply-and-demand driven return to the historical 15.5:1 ratio — or anything near it — would signal a massive bull market in silver, a huge crash in the value of gold, or a little of both.

Gold and Silver in the Twentieth Century

The fixed exchange rate between gold and silver had largely been abolished by the start of the twentieth century. By 1910, it took 38.28 ounces of silver to buy one ounce of gold. By 1930, the silver-to-gold ratio was 63:1. Ten years later, it took 98.57 ounces of silver to buy one ounce of gold. Then, throughout the fifties and sixties,

silver began to appreciate relative to gold, and by 1970, the silver-to-gold ratio was 23:1. Shortly thereafter, the price of silver went on a roller-coaster ride as the Hunt Brothers cornered the market, and in the aftermath of that episode, the ratio swung wildly in the other direction, reaching 102:1 by 1990.

The average silver-to-gold ratio over the entirety of the twentieth century was 47:1 — a far cry from the 15.5:1 ratio of the nineteenth century. Today gold is even more valuable, relative to silver, with the ratio currently standing at 52:1. Even a return to the 47:1 ratio would indicate a mini-rally in silver (or a mini-crash in gold), but is there any reason to expect such a return? Or, going further, is it possible the silver-to-gold ratio could ever approach 15.5:1 again?

Israel Friedman certainly thinks so. “The rarer and more industrially needed item should be $650 and the more plentiful and less used item should be $13.” Although he may be a bit hyperbolic, Mr. Friedman and others like him argue that the silver-to-gold ratio today should be at historic lows — not just 16:1, but perhaps 1:16 or 1:52!

Non-Monetary Ratio Measurements

There is other evidence to support a bullish silver hypothesis. The silver-to-gold ratio, in terms of the volume

of ounces traded in the commodity markets, is approximately 7:1. When viewed from the perspective of COMEX inventories, the ratio is roughly 12:1. According to the U.S. Geological Survey, the known world reserves of silver are 270,000 tons with a reserve base of 570,000 tons, compared to 42,000 and 90,000 tons, respectively, of gold — thus providing a 6.43:1 reserve ratio and a 6.33:1 reserve-base ratio.

Global production is another way to compare silver to gold. Recent global production statistics place the ratio at around 8:1, which is historically low for silver, meaning it is rarer than usual, relative to gold. For example, in 1910, the global production ratio was 10:1, whereas the monetary ratio was 38:1 — a difference of 380%. If the same difference held up with today's global production ratio of 8:1, the monetary ratio would be 30:1 instead of 52:1 — meaning silver would be worth 173% more than it is today.

Of course, there's no real reason why there should be a 380% difference between the global production ratio and the monetary ratio. For many years, the monetary ratio has been out of whack with almost all other measures, and many silver bulls think the gold/silver relationship is long overdue for a major correction.

What This Means for Today's Investors

If the silver-to-gold ratio were to revert back to 15.5:1, would this necessarily mean a bull run in silver? Couldn't it mean a huge crash in the price of gold? While technically, the answer is yes, practically speaking, there is virtually no chance that gold could fall far enough to meet the 15.5:1 ratio without a major bull run in silver. Think about it: If silver were to stay around $13 an ounce, this would mean that gold would have to fall all the way to $200 — a 70% decline! Yes, gold has declined by this much in the past, but that was coming out of an era of double-digit inflation. With the Consumer Price Index around 3% and the government as fiscally reckless as ever, the idea of a crash in gold the likes of which was seen in the eighties is highly improbable.

The fact of the matter is the silver-to-gold ratio is at historic highs at a time when it should be near historic lows. This is not a bearish indicator for gold, but a strongly bullish sign for silver. Even if gold were to fall by 20%, and even if silver assumed a 20:1 ratio instead of 15.5:1, this would still mean silver priced at $26.80 an ounce — double current price of silver.

When it comes to silver, though, not working may represent a double. Working could mean a return to the 15.5:1 silver-to-gold ratio without a decline in the price of gold. And really working could mean that Israel Friedman's prediction comes true: silver surpasses gold as the more

valuable metal, inverting the ratio and making millionaires and billionaires out of thousands of silver-bugs. Stranger things have certainly happened in the history of silver, the notoriously volatile cousin of the comparatively stable gold. For this reason, putting 10% in silver may indeed prove to be a wise financial decision.

THE 7 DEADLY SINS OF SILVER INVESTORS

The Seven Deadly Sins committed by silver investors destroy wealth, leaving investors discouraged and broke. These seven deadly sins are: overindulgence, haste, sloth, irrational exuberance, ignorance, pride, and dogmatism. Although the seven sins are committed by beginners more often, experienced investors can commit any of these sins as well.

1. Overindulgence – many silver investors are carried away by the hype of investing in silver. And these investors go out and buy up too much silver at one time. Remember, regardless of the market outlook, or the future of society, more than 10% of your entire investment portfolio is too much. An ideal portfolio allocation is around 7%-11%. If you are just beginning in silver: start small. Here's another tip for beginners, it's a good idea to start in physical silver investments such as coins, and bars, before investing in more leveraged silver investments. Get some real metal holdings to build your foundation of wealth before making other metal investments.

2. Haste – Similar to the last sin, silver investors should pace themselves when making an investment in silver. A prudent investor would spread out her investment into multiple purchases–known as dollar cost averaging. Dol-

lar cost averaging works by averaging out the entire portfolio; for example, if the price of silver is at $13, Joe buys a little. Then next month the price fell to $12, and Joe buys a little more. Joe's average investment is now only $12.50. Instead of if Joe bought all he could at $13, he'd be at a loss. Use dollar cost averaging to your advantage.

3. Sloth – With this sin, investors are lazy with proper storage. Many silver investors think the original investment is the end. However, the investor now has to properly store her investment, or risk losing. It's your silver, so keep it that way. Keep the bulk of your investment in a safe place; this includes a personal safe, a bank safe deposit box, or a public storage facility. Whatever you use, make sure proper storage happens.

4. Irrational Exuberance – The number one rule of investing is "don't lose money." As such, large doses of speculation can cause an investor to lose huge sums of money. Speculation is speculation. Not investing. But depending on your goals and tolerance for risk, very moderate levels of speculation can increase the return on investments for your portfolio. If you do decide speculation is right for you, then options and futures contracts are excellent speculation tools.

5. Ignorance – You will greatly increase the rewards on your investments as you continue to study the market. Begin by reading the fundamental factors that drive silver and gold prices: supply and demand, currency moves, and the overall economy. When you are an informed investor, your investment returns increase.

6. Pride – Many silver investors could be burned because of an unreasonable level of self-respect–pride is another word for that. Just remember as much as you may be proud of your investment in silver, not everything you buy should be considered an investment. Rare coins, and silver art are not investments, as such an investor shouldn't count these as investments. Only silver bullion, or silver coins whose value follows the spot price of silver can be counted as a silver investment. For example, a 1964 Quarter sold as junk silver is an investment, but a 1964 Quarter sold as a collectible is a collectible—not a silver investment.

7. Dogmatism – when you read online at forums or blogs about silver investments, you'll see many people stubbornly pushing an investment as the only investment. This narrow view of the silver market can kill your investment returns. Just remember the silver ETF, junk silver, mining stocks, futures, mutual funds, index funds, options, and bullion are all ways to invest in the silver market. And, the way you invest should depend on your

investing goals. What works for a different investor, may not work for you.

The Six Types of Silver Investors – Which Are You?

The mainstream media likes to slander silver investors as a monolithic bloc of contrarian kooks. The truth is actually much more interesting—silver investors are all different kinds of crazy!

But seriously, we know that the real kooks are the people who still believe in the supremacy of the dollar and the ability of the U.S. federal government to make everything all better again—it's not happening this time,
and we know it. We also know that silver provides the best opportunity to profit from the coming devaluation of the world's fiat currencies.

But here, the similarities between silver investors end. This article explores six contemporary archetypes of silver investors and asks, "Which one are you?"

The Trader

The Silver Trader seeks to make profits by gaming the short-term movements in the spot price of silver. Using everything from intricate technical analysis to "gut" hunches, he buys low and hopes to sell high—or he might even go short when the per-ounce price of silver seems to indicate that it's "overbought." The Silver Trader may deal in coins or bullion, but is more likely to use exchange-traded products like ETFs, shares of silver-

ver-mining companies, options, and silver futures contracts.

Thanks to constant government manipulation of the currency, the dollar-denominated price of silver is volatile—and with volatility comes opportunity for Traders. However, volatility also adds risk, and the number-one risk for silver traders is that they're on the sidelines—or worse yet, short silver!—when the metal makes a huge move to the upside. Also, a question that Traders must ask themselves is, "What do I do with my gains?" If the Trader keeps his profits in dollars or other fiat money, they are susceptible to loss of purchasing power due to inflation.

The Hedger

The Silver Hedger thinks there may be short- or long-term risk of massive inflation or even government destabilization, but he isn't so sure. He doesn't want to cash out his entire dollar-denominated portfolio (or even a sizeable share of it) for silver, but he wants to reduce his exposure to fiat money by adding some precious metals to his holdings. In order for the Hedger to have a real hedge, he should have physical possession of silver coins or bullion, though some Hedgers may feel safe with ETFs, silver-mining stocks, or silver stored offsite.

Historically, it has been advised that long-term investors keep 6-10% of their portfolio in gold and/or silver. However, given the current macroeconomic forecast, keeping upwards of 90% of one's assets in dollar- or other fiat-money-denominated assets is tremendously dangerous. A wiser hedge would be the reverse, with 90% (or more) of one's wealth in hard assets and real property, with 10% seeking short-term profits in the stock market.

The Collector

The Silver Collector loves silver—the look, the feel, the sound a coin makes when you drop it on a table—and he loves the history of old coins and other silver items. His interest is in numismatics, and while he certainly hopes to see a return on his investment, this is almost secondary.

Most silver investors have a little bit of "The Collector" in them, but investors who are predominantly collectors face numerous pitfalls. First and foremost is the risk that numismatic premiums will be largely eroded by a dramatic rise in the price of silver. For example, if a coin's silver content is one ounce, and silver is priced at $17, but the coin sells for $117 due to a numismatic markup of $100, what happens when the value of silver skyrockets to $50 an ounce? Unless the move in silver is strictly in response to price inflation, then the numismatic pre-

mium will not keep pace, and The Collector would have been better of buying low-markup coins and bullion.

The Bobby McFerrin

In 1988, one-hit-wonder recording artist Bobby McFerrin released the inexplicable easy-listening sensation, “Don’t Worry, Be Happy.” Investors who fit the “Bobby McFerrin” profile believe the government and media propaganda that “everything’s gonna be all right.” Now, full-blown “Bobby McFerrin” investors are likely to avoid gold and silver altogether—after all, if there’s no cause for concern, why not stay fully invested in stocks?—but some otherwise overly optimistic souls still recognize the importance of having a little (or even a lot) of the protection that precious metals can afford… but then they go about it entirely the wrong way!

What I mean by this is that they’re overly trusting. They think the government will always be there for them; that it has their best interests at heart, and that the eggheads at the Fed and the Treasury can avert the certain disaster that looms ahead. Thus, “The Bobby McFerrin” invests in offsite silver, silver certificates, silver ETFs, and even puts silver investments in his retirement account—assuming it will be there for him when he’s ready to retire. The problem here is that none of these investments offer any real security when compared to physical coins and bullion in the possession of the owner.

The Stockpiler

The Silver Stockpiler is virtually the opposite of The Bobby McFerrin. He says, "Don't Be Happy… Worry!" This is not to say that The Stockpiler's fears are unfounded, but rather that he may be going about things the wrong way.

Here are some mistakes Stockpilers make:

- Investing in silver (and/or gold) at the expense of all other investments—including consumable goods and their own productivity.
- Investing in the wrong kind of silver. Under The Stockpiler's "worst case scenario," how marketable are 100-oz silver bars or bags of silver pellets going to be?
- Inadequately protecting one's silver. What good is having a stockpile if it can be taken, either by the government or by common criminals? Stockpilers often have big mouths, too, which make them all the more vulnerable.

The Doomsdayer

“Doomsdayer” usually has a pejorative connotation, but when a real doomsday is actually on the horizon, anyone who isn’t at least a little bit of a “Doomsdayer” is a fool. A Silver Doomsdayer is one who believes that the world’s fiat currencies are headed towards an inevitable collapse, or at least a severe devaluation, and that silver is set to explode before or when that happens. Doomsdayers may also believe that governments are at risk of falling, though individual Doomsdayers have varying opinions as to whether or not this would be good or bad.

Doomsdayers are similar to Stockpilers, except whereas Silver Stockpilers are entirely consumed with accumulating silver (with no real plan of what to do with it), Doomsdayers prepare for every conceivable scenario. Doomsdayers prefer more marketable silver coins in one-ounce (or less) denominations, and may show preference for easily recognizable issues, such as Silver Eagles. But Doomsdayers don’t put all their eggs in one basket, either: They also invest in stockpiles of consumable goods, enhancing their own productivity via tools and/or education, establishing a network of contacts for future or current “black-market” trade, and in an adequate home-defense system.

Conclusion

So which type of investor are you? With the exception of "The Bobby McFerrin," there are probably elements from each archetype you should adopt in order to build the profile of "The Ultimate Silver Investor." And, at the same time, too much of any one category could be dangerous: The Doomsdayer is perhaps a bit too conservative, and each of the other profiles are at least a little too aggressive in their own ways. The important thing is that you make yourself aware of the pros and cons of each type of silver investor, and create the custom profile that you can be comfortable with.

THE 10 BEST SILVER COINS FOR INVESTMENT

In the cult comedy classic UHF, the antagonist R.J. Fletcher unknowingly gives a rare collectible penny to a panhandling bum. “Don’t spend it all in one place,” says evil-businessman Fletcher, thinking the coin is only worth one cent. The bum, however, knows the coin’s worth and thanks Fletcher profusely. Later, the bum foils Fletcher’s plot to destroy Channel 62 by using the proceeds from selling the coin to save the station.

Most people fantasize about finding a “diamond in the rough”—a rare collectible coin handed out as change from Wal-Mart—but as an investment strategy, numismatics are less attractive that silver bullion.

Why? The price of silver is set to skyrocket. Currently trading at around $18.50, many analysts see silver at $50 or higher within the next year or two. Having too much money tied up in numismatics means you could miss out on the coming silver explosion.

With that in mind, here is a list of the top ten best silver coins for investment.

1. Silver American Eagles

The Silver Eagle is the only silver bullion coin the world with its weight, content, and purity guaranteed by the

U.S. government. This alone makes the coins preferable to privately minted “rounds,” and is clearly worth the minimal premium associated with Silver Eagles. New, uncirculated Eagles typically sell for between $1.80 and $2.50 over the spot price of silver, while “used” Eagles may trade for as little as $1 above spot.

What makes the Eagle so special is that it is instantly recognizable. In a future barter situation, Eagles will almost definitely receive a premium over the coins issued by foreign governments and rounds struck by private minters. The coins’ limited quantity also grants them some numismatic value that tends to appreciate with age. For instance, 1986 Silver Eagles currently fetch a $7-above-spot premium, and even Eagles from as late as 2001 can trade for as much as $5 or $6 over spot.

2. Silver Canadian Maple Leafs

Much like the Silver American Eagle, the Silver Canadian Maple Leaf is a government-issued, legal-tender coin. Although it lacks the caché of the Eagle in the U.S. or abroad (anywhere but Canada, of course), the Silver Maple Leaf remains one of the world’s most recognizable silver coins, and is also one of the most aesthetically appealing. Maple Leafs are magnificently designed, and a truly beautiful sight to behold. They’re also the purest of

government-issued silver coins, at .9999 fine silver (most others are just .999).

New, uncirculated Maple Leafs tend to sell for around $1.80 and $2.50 over spot, just like American Eagles, but Maple Leafs tend to gain numismatic value more quickly. For instance, 2008 Silver Maple Leafs are already selling for around $3 over spot. Some issues have very low mintage numbers, too. The 1988 Silver Maple Leaf—the first year the coin was produced—had a mintage of more than 1.1 million units, while the 1992 issue had a mintage of just 343,800.

3. APMEX 1oz Fine Silver Rounds

While Silver Eagles command a premium due to their easy recognition and Maple Leafs are valued for their stunning beauty and low mintage quantities, when it comes to getting the most silver for your buck, APMEX Fine Silver Rounds are your best bet—at least in terms of "coin" form. Technically, non-legal tender issues by private minters are not considered "coins" at all and must be referred to as "rounds" for legal purposes. But silver is still silver, no matter if it's issued by the U.S. government or a for-profit corporation like APMEX, and the latter's "rounds" are among the most widely recognized and accepted of private issues.

APMEX rounds are .999 fine silver and sell for $0.79 over spot at APMEX's Web site, http://www.apmex.com. APMEX stands for American Precious Metals Exchange, and the firm also sells Eagles, Maple Leafs, and other government and private silver coins and rounds, as well as gold, palladium, and platinum. APMEX rounds aren't as visually striking as the higher-premium government issues, but at some level, silver is silver, and APMEX rounds are easy to store and trade without costing much over spot beyond the coinage costs.

4. Morgan Silver Dollars

Morgan Silver Dollars are U.S. government, legal-tender coins that were minted from 1878 to 1904, and then again for one year in 1921. They're 0.86-ounce coins made up of 90% silver and 10% copper, giving them a silver weight of 0.77344 troy ounces—almost exactly the silver content of the original Spanish dollars on which the U.S. currency was originally based.

Although many Morgan Silver Dollars have huge numismatic premiums, lower-quality coins from years in which many were minted can be purchased at just a little over the spot price of silver. Normally, coins of .999 silver purity are preferable to those mixed with other metals, but the Morgan Silver Dollar is so highly recognizable, it is a rare exception to this rule.

5. Austrian Silver Philharmonics

The Austrian Silver Philharmonic is a rare coin that even outdoes the Canadian Silver Maple Leaf in terms of beauty. It is also the only silver coin that is denominated in Euros, with a legal tender value of • 1.5. One side of this coin features selected instruments from Austrian Philharmonic Orchestra—a national treasure of Austria—while the other side depicts the Golden Hall in Vienna, which is the site of the orchestra's annual New Year's Day concert. Fans of Austrian economics also seem to have a soft spot for these coins.

Austrian Philharmonics trade for $2-3 over spot, new, but the 2008 issues are already commanding a premium of at least $2.30—and that's for orders of five hundred or more! A single 2008 Austrian Philharmonic coin can be purchased from APMEX for around $3.50 over spot, with price breaks at the purchase levels of twenty, one hundred, and five hundred. Two-thousand-nine Philharmonics start out at $2.30 over spot and can be had for as little as $1.79 over spot for very large orders.

6. APMEX ½oz Fine Silver Rounds

Although one-ounce has become the standard weight of silver coins and rounds, there are advantages to ½-ounce issues. For one, they are more liquid. If using sil-

ver in the course of barter, what do you do when you need to make change? You can't cut a one-ounce coin in half, and if you go to the trouble of melting it down and recasting it, there's a lot of effort and expense involved. For this reason, two ½-ounce silver rounds are always more valuable than one full-ounce silver round—all other things being equal. This is a hard concept for a lot of silver investors and traders to grasp, since we're so used to using "token" currency.

There is a disadvantage to ½-ounce and lighter issues, though: they fetch a higher premium. Half-ounce issues from APMEX sell for more than $2 over spot—or $4 over the per-ounce spot price. Still, if you're going to have diverse silver holdings and you believe in the possibility of future-barter scenarios, then you'd be well advised to have some half-ouncers on hand. Half-ounce silver rounds also make a great gift and can be used at restaurants as tips to help spread the silver bug.

7. "Junk" Silver Dimes

From 1837 to 1964, United States ten-cent pieces were made of 90% silver and 10% copper—just like the Morgan Silver Dollar. Dimes, of course, were smaller, and thus contained less silver; roughly 0.0715 troy ounces.

Although many of these older dimes have become numismatic collectibles, so-called “junk” silver dimes can be purchased at a mark-up of as little as $0.20 per coin. On a per-ounce basis, this is a little steep at about $2.79 above spot, but given the increased liquidity of the smaller coins, this premium may be justified.

8. “Junk” Silver Quarters

Similar to junk-silver dimes, United States quarter-dollar pieces were also made of 90% silver and 10% copper from 1932 to 1964, and were exactly 2.5 times as heavy as silver dimes.

Thus, a silver quarter contained approximately 0.17875 troy ounces of silver, and a dollar’s worth of silver dimes contained an equal amount of silver as a dollar’s worth of silver quarters. “Junk” silver quarters can be purchased at a mark-up of around $0.40 per coin.

9. Mexican Silver Libertads

It’s not just the U.S. and Canada that issue one-ounce silver-bullion coins; our neighbors to the south do as well. Mexican Silver Libertads are beautiful coins, but they command a pricier premium upwards of $2, and are somewhat less marketable than the issues of “trustier” governments like the U.S. and Canada.

10. Monarch Precious Metals 1/10oz Silver Rounds

To reiterate, the smaller the coin, the more liquid—within reason. In addition to ¼oz and 1/10oz rounds, Monarch also produces 1-gram rounds, and with coins that tiny, the cost of production outdoes the value of the metal by several times. One-tenth ounce, however, is a great weight for trade; and yes, ten 1/10-ounce coins are always going to be worth more than one one-ounce coin, all other things being equal. This can be verified by a quick eBay search, and it makes sense, too: As stated earlier, going to the trouble of breaking down existing coins into smaller increments would be costly, and these coins have already been broken down. They cost quite a bit more—about double the price of their silver content at current rates—so they should definitely not be your only coins, but they are a welcome addition to any diversified silver portfolio.

Top 5 Best Places to Buy American Silver Eagles

Where are the best deals on-line for silver eagles? Well it's a lot harder to say than you think. In fact, if you search for 'American silver eagles' over 75 Million (that's 75,000,000) websites show up. On top of that, there's multiple coin dealers specializing in different order sizes for each type of investor. By that I mean, there's a coin dealer that will cater to your individual needs–all it takes is finding that dealer.

That's where this article helps. We recognize the issues that arise when ranking coin dealers because there's just so many. This list should ideally be used as a starting point for more research. The rankings look at dealers from the perspective of different investors: from tiny to very large investors. Each investor category remains based on the size of a potential investment. That is, each investor type will usually be looking for an investment to match her portfolio size.

Best for Mini Orders: 1 oz.

eBay takes the stage for mini orders because of the diversity an investor could sift through looking for even just one ounce. Because of the number of sellers competing against one another, the prices for each ounce tend to stay within $1 to $2 dollars over the current spot price. eBay also shows the credibility of each coin dealer (a major plus), so the risk of being ripped off is minimized.

Now, when using eBay some will find the extensive list a bit chaotic. So, if you decide to plunge into eBay searching for more specific dates of coins or types of silver eagles works better than the generic search. Good Luck!

Honorable Mention: Amazon.com has recently added silver eagle coins to the vast selection and these coins are priced near eBay prices (low markup), the only down side remains the short amount of time Amazon.com has listed Silver Eagles (this might just be a testing phase).

Best for Small Orders: 10 oz. to 100 oz.

AmericanSilverEagles.com takes the next spot for small orders. This site remains attractive because of the price, selection, and flexibility in order size. You can order in odd coin amounts. AmericanSilverEagles.com not only has competitively priced coins, but also one of the larger selections of silver eagles dating all the way back to 1986 (the first silver eagle date!). Alongside the price and selection is the order size flexibility: if you want you can order 13, 56, 89 or more. While other dealers require ordering in sets of 10-20 coins, AmericanSilverEagle.com give you the choice in order size.

One drawback remains the fee for credit card orders. If you decide to order from them and use a credit card a 3.2% fee is added to the order. But fear not, they have

other payment options such as personal check, money orders, bank/cashier's check and the standard credit cards and PayPal options.

Best of Medium Orders: 100 oz. to 499 oz.

Silver50.com takes the lead in terms of medium orders. Silver50.com has a very low mark up compared to other dealers in the same category. They've been recommended by the non-profit GATA (Gold Anti-trust Action Committee). You do have to call (866) 303-0781, to lock in the price, but with the small $3.09 markup over spot, it's worth the call.

The runner up in this category was Jason Hommel's new bullion shop (jhmint.com). Mr. Hommel, however, lost out with a higher mark up ($3.55 over spot).

Best for Large Orders: 500 oz.

Goldsilver.com takes the lead for orders of 500 ounces or more. Here's where the benefit comes to larger orders: smaller and smaller markups. Goldsilver.com seems to have around a $2.35 markup above spot. Second, while you're shopping for more silver to add to your already large silver portfolio, be sure to watch some of the best videos on the silver industry.

Second place for Large Orders goes to Northwest Territorial Mint (bullion.nwtmint.com) where they sell large orders for $2.79 dollars above the silver spot price. Note: some on-line forum members warn about using NWT mint because of the extremely long delays for orders.

Best for Very Large Orders

Use on of the national bullion dealers approved from the U.S. Mint. For example A-Mark Precious Metals. You will, however, have to call the account manager to set up a new account before you can buy from A-Mark. Other National Dealers include, CMI Gold and Silver, Inc, Goldline International, and Monex Deposit Company.

In the End,

It's all about figuring out which dealer fits your personal investment criteria. Whether you're ordering large or small amounts of silver, there's a good silver dealer on the other side waiting to serve you. Finding that great dealer remains the easy part after figuring out where in the investment world you are.

5 Best Places to Buy Silver Rounds

Surprisingly there are few places to buy silver rounds. Silver rounds, the investment option with the lowest premium, isn't the most popular choice for many investors. Yet, even with the limited retailers, there are some excellent choices. Below, we've organized the silver rounds sellers into categories based on order size: best for 1oz orders, small, medium, large orders.

While still taking into consideration the customer service, return policy, and reputation, the single most influential factor remained price. Each seller for each category was the lowest price we could find (if you know of a better option drop a comment below).

Best All Around

The Best All Around review goes to Provident Metals (providentmetals.com), who holds its own in terms of price and service. Provident Metals gets the Best All Around review because of the number designs available, I counted six different designs; the small or large ordering size available; in addition to designs and order sizes, the price is extremely competitive and reasonable, which is why Provident Metals wins in Best All Around.

Best for 1 oz Orders

This was the hardest to find a place to buy super small orders. The place to buy as little as one ounce was Littleton Coin Company. The price, however, was absurd. Littleton offers a “Snowman Season’s Greetings 1 oz. Silver Round” for an absurd markup above the price of silver. For investors, it doesn’t make sense to order a single ounce of silver at such a high premium. It’s a much better idea to order small orders of 10 or more silver rounds because of the premium on a single once.

In addition to Littleton Coin Company, Provident Metals excels in providing single ounce orders as well. And with the number of unique designs, Provident Metals makes it easy to diversify your silver rounds investment portfolio.

Best for Small Orders

The options for customers looking for more than 1 oz. increase significantly. For those investors looking for 10-100 silver rounds, look to Lynn Coins. Lynn Coins provides multiple designs and options for silver rounds at an attractive price. A low premium on each product offering makes Lynn Coins the best place to buy small orders of silver rounds. One point of disappointment is the limited

stock they hold. Under each product offering Lynn Coins gives customers a view of inventory–some of the time a low quantity. I could see how some might be irritated by a lower quantity than desired.

Best for Medium Orders

A relatively new company fits the bill for medium orders. TMG Silver or Silver50.com has a competitively priced selection of silver rounds in numbers of 100-499 at one price and above 500 at an even lower price. At this time Silver50.com has three designs, all replicas of beautiful coins: Peace Dollar Replica, Mercury Dime Replica, and the Buffalo Nickel Replica.

Best for Large Orders

Orders of 1,000 or more, a very large order, is best served by BargainBullion.com. At $0.89 over spot, BargainBullion.com has the lowest prices for very large orders. It's a joint-venture with a mining company, refining company, and a state of the art bullion dealer. As they explain, "Our vertical integration of process, product, and sales provides the highest quality gold and silver products at extremely competitive prices." Shipping is extremely fast, registered and insured.

The Top Five Places to Find Junk Silver

Coins may be call “junk silver,” but far from a junkie investment. Junk silver is a term thrown-on the coins by coin collectors because most of these coins won’t have a collector’s value. But junk silver has value in the eyes of silver investors. So, where do you find your next silver investment in junk silver? Here are a few ideas to start with. Rated from number one to five, we’ve listed five places to find junk silver as an investment.

1. eBay – rated number one because junk silver in thousands of varieties abound on eBay. If you’re looking for $5 dollars or $1,000 dollars of junk silver almost any amount can be found on eBay. In addition to the amount of junk silver, eBay also provides information on the credibility of each seller. As an investor buying your next asset, finding an honest seller could mean the difference between profit or loss.

If you do decide to use eBay, it’s easier to find junk silver if you search for more specific junk silver. For example searching eBay for “junk silver” will turn up fewer results than searching for terms like: pre-1964 U.S. Circulated Quarters, or Batch of Silver 1964 Nickels. Also be aware of the sellers rating, the seller’s information can be found to the right of a listing under the heading: “Meet the Seller.” These ratings will provide you with the honesty and credibility of the seller.

2. Lynn Coins – is rated right below eBay only because of the slightly less amount of options. You can find bags of junk silver from $129-$2,175. Although the options are limited, buyers won't have to spend much time searching. Unlike eBay's thousands of choices, at Lynn Coins there are 10 choices.

Even though the website looks a little out-of-date and somewhat unprofessional, Lynn Coins is a PayPal verified site—which means the sale has more security than third-party systems you might not know. Also, according to PayPal, Lynn Coins has been in business for seven years, and Lynn Coins has processed "3,406 buyers."

3. C.C. Silver & Gold Inc. – this company offers a more professional approach. And for investors with a large purchase of $1,000 or more, C.C. is a better option than eBay. Unlike CMI, C.C. seems to have more coin choices as well, as of now C.C.'s website is showing options for Morgan Dollars, Peace Dollars, and 90% Silver coins with U.S. Half-dollars, Quarters, and Dimes all dated before 1964.

While browsing the selection, I noticed non-users will be confused at the process of purchasing what she is looking for. I had a hard time knowing what pull-down option to choose. So, if you don't use the Internet well, CMI might be a better option.

4. CMI Gold & Silver – Offers junk silver bags to investors worried about professional businesses. Just take a look at the spotless design of CMI's website. Now there's a professional website. Anyways, a professional website does not necessarily increase the returns of an investor, and in this case CMI does offer junk silver at the same premium of silver bullion.

One of the downfalls of CMI is the lack of an on-line store. CMI wants buyers to call CMI as to "help you make the right decision for your precious metal investment." However, professional CMI's website, requiring investors to call CMI is rather inconvenient. For the Internet users, CMI is not for you; however, for some CMI is the place.

5. Monex Deposit Company – Along with the professional image CMI casts, Monex casts the same. Or it might be egotism, either way Monex says it "[has] led the industry in silver coin investing programs." But that claim is hard to verify. Again, Internet shoppers will be disappointed because Monex wants you to call an account representative before you can make a purchase.

In rather simple terms, if you love the Internet use eBay, Lynn Coins, or C.C. Silver & Gold Inc., if not use CMI or Monex. Likewise, if you have a limited amount of money, less than $500, use eBay, or Lynn Coins, but if you have

more than $500 go to C.C. Silver & Gold Inc, CMI, or Monex.

Personally Storing Silver Coins and Bullion

If you plan to store silver coins, bullion or other precious metal, you're probably a collector (numismatist), a survivalist or a precious metals investor. The differences between a collector, a survivalists or an investor is that the collector is more focused on the intrinsic value and condition of each individual item. As a result, for the collector, maintaining the best appearance and condition of each coin or piece is critical in determining market value. Nicks, scratches, tarnishing, bag marks and other blemishing can alter value as much as 20%-40%.

On the other hand, the survivalist and investor are mainly interested in the underlying value of the silver or gold content of the coins but, for a number of reasons, prefer holding their investment in physical form. While it's obvious the collector needs to be more concerned with storage and handling, the survivalist and investor should also be aware of the physical risks to storing coins, ingots and plates.

Where to store your coins or precious metals? Even though there is a whole industry devoted to storing precious metals, for the purposes of this article, we will consider the two most common storage facilities for the ordinary collector/hoarder: the home and bank safety deposit box.

Storing Silver Coins and Bullion at home: Security is the major consideration when storing at home. If you have a significant collection/hoard, invest in having a wall safe (well concealed), a false wall or false cupboard. Don't tell anybody about your stash. Also, keep in mind that a fire can melt precious metals. Observe the storage considerations listed in the following section.

Storing Silver Coins and Bullion in a Safety Deposit Box: Most banks offer the rental of well protected safety deposit boxes. Charges are typically $50 to $150 annually depending on the size of the box. Safety deposit boxes provide excellent security and a controlled environment but there are several additional things to consider:

Choose a bank that is in strong financial condition and not subject to potential bankruptcy or regulatory shutdown. Choose a bank close to your home for easy access. Some banks provide 24 hour access to safety deposit boxes.

Consider the fact that in the case of a catastrophe or national emergency you might not have access to your safety deposit box. Also, observe the storage considerations in the next section.

Major storage considerations for Silver Coins and silver bullion are air, environment, and containers.

Exposing silver to the air oxidizes metal, changing its color. It is advisable that if you're storing your coins for a long period of time you store them in a controlled environment. Environment. A relatively constant, moderate temperature and low humidity are preferable for long term storage of numismatic collectibles. Small particles of moisture may eventually cause spots. Placing packets of silica gel in coin storage areas helps control atmospheric moisture.

Containers holding the silver coins or silver bullion have several types of "containers" for coins are available. Most anything will do for coins with little numismatic value, while nearly airtight holders made of inert materials are a good idea for valuable coins. Tubes are plastic containers designed to hold a number of the same size coins. They are fine for bulk storage of circulated coins and can be used for higher grade coins, provided the coins do not move.

Yet, a disadvantage is that the coins cannot be viewed without being removed from the tube. When viewing a coin, place them on a clean soft cloth or clean piece of blank paper.

Paper envelopes of various sizes are sometimes used for one or more coins. Be sure to use envelopes made explicitly for holding coins, or your coins may change

color (tone) over time due to reaction with sulfur or other chemicals present in the paper.

Bags, jars and boxes are adequate for pocket change and circulated bullion coins. Various brands of folders and albums are sold for series and type sets.

When properly used, they offer some protection from wear and handling. Over several years coins may tone due to reaction with sulfur or other chemicals present, and they are therefore not a good choice for long term storage of higher grade coins.

Hard plastic holders are preferable for more valuable coins. They are not known to contain any materials that harm coins and offer good protection against scratches and other physical damage. They are available for individual and small sets of coins.

Plastic “flips” are available in various materials. “Soft” flips are made from polyvinyl chloride (PVC) which decomposes over time with disastrous results for coins. They are therefore not suitable for long term storage. Mylar and acetate flips do not contain PVC.

However, they are hard (may scratch the coin if not inserted and removed carefully) and brittle. While not airtight, they are reasonable choices for moderate value

coins that will be “left alone” for multiple years but less so for coins to be shipped or that will be removed and reinserted.

There are several easy tricks for silver hygiene of the trade that professional jewelers have developed to maintain the beauty of silver. Silver is a soft metal that can be scratched so be careful to rub gently when cleaning. Never use anything but a clean nub free cotton or flannel cloth, a special sterling silver cleaning cloth, or a very soft bristle brush like a baby’s toothbrush or a horsehair silver brush.

Sterling silver dips can be fast and easy but are not recommended by professional silversmiths. Professionals seem to feel it’s better to insert the item in the dip and remove it quickly, repeating after rinsing with water, rather than leaving the item in the dip for long periods of time.

Follow up by buffing with a soft cotton cloth. Also, if appearance is a concern, it’s recommended that cleaning be done at least on a monthly basis.

Additional Resources: Good Books to Read

Top 10 Books for Silver Investors, Best Sellers and Best Reviews

1. *Get the Skinny on Silver Investing*, by David Morgan — best seller, high reviews. David Morgan has been a private economist for over two decades. His background started in engineering then later with an advanced degree in Economics/Finance gives a unique perspective to the financial markets that pure business majors often miss. He applies the discipline of logic to verify the basics of economic law. Mr. Morgan has been published in The Herald Tribune, The Wall Street Journal, and Futures Magazine to mention a few.

2. *Ruff's Little Book of Big Fortunes in Gold & Silver: A Middle Class License to Print Money*, by Howard Ruff — best seller, high reviews. This small book is deliberately designed to teach the investment novice exactly what to do as the bull market unfolds, including why, how and where to buy precious metals and mining stocks – as well as how to avoid costly mistakes. It is also an essential review for dedicated gold bugs to help them in this new and ever-changing market.

3. *The ABCs of Gold Investing: How to Protect and Build Your Wealth with Gold*, by Michael J. Kosares — best seller. This book discusses topics beginning investors will find thorough guidelines for making good decisions in

this guide to private gold ownership. Emphasis is placed on the asset-preservation qualities of gold at a time when investor uncertainty about the economy and recent investment scandals have led many to seek asset diversification. The economic and political trends driving gold marketing are detailed, as are the reasons why gold plays an important role in millions of investment portfolios worldwide—as both a hedge and an investment for capital gain. Topics examined include understanding gold's role in combating inflation and deflation, how to select a gold firm, the history of gold since 1971, storing gold, and government debt.

4. *The Collapse of the Dollar and How to Profit from It: Make a Fortune by Investing in Gold and Other Hard Assets*, by James Turk and John Rubino — best seller. James Turk, a leading gold authority and the founder of GoldMoney.com, and John Rubino, editor of the popular Web site DollarCollapse.com offer strategies for investing in gold coins, gold stocks, gold-based digital currencies, and other hard assets to create a profitable portfolio.

5. *Precious Metals Investing For Dummies*, by Paul Mladjenovic — best seller. This book gives readers a clear and thorough introduction to investing in precious metals, including gold, silver, and other precious metals.

It includes information on the different types of metals, how to mix them into a portfolio, the risks and rewards in metal trading, the different ways to purchase and trade metal, and trading plans and strategies. With precious metals performing so well in today's markets, this guide will be a trusted, valuable resource for novice and experienced traders.

6. *Junior Mining Investor: 14 Natural Resource Experts Show You How to Invest Profitably* – best seller.
This book brings together the combined wisdom of 14 mining-industry veterans, including David Morgan, Brian Fagan, Jason Hommel, and others, to reveal how they make money speculating, trading and investing in junior mining and exploration stocks. Those topics trade like no other sector and the potential to double or even triple your investment in 2-3 days means you have to be in the right stock at the precise time. Each succinct chapter presents the author's strategy and offers step-by-step guidance on implementing it for maximum profits.

7. *The Dollar Crisis: Causes, Consequences, Cures*, by Richard Duncan — best seller, high reviews.
"I held a class for about 150 people on the book entitled "The Dollar Crisis," authored by Richard Duncan. If you want to better understand why the real estate bubble bust and the crash of the dollar will probably lead to a prolonged recession, you may want to read this book

sooner rather than later. In a nutshell, we really do not have a real estate bubble… the world is in a currency bubble. In other words, the governments of the world have printed too much 'funny' money and cash will soon turn to trash. Even if you are not in real estate or are saving dollars, you may want to read this book to find out what you need to invest in now, before the bubble bursts. If you are in stocks and mutual funds, you definitely want to read this book," said Robert Kiyosaki, author of Rich Dad, Poor Dad

8. *The Silver Pennies: An Investors Guide to U.S. Silver Stocks* by David Bond –high reviews. The number of American Silver Mining Stocks has shrunk by 100 in the past decade, but three dozen still thrive, in varying stages of exploration, development, and production. Contained herein are their stories. Herein is also silver's story, its rise as the preeminent strategic metal of our times and its re-emergence as a store of value.

9. *Gold: The Once and Future Money*, by Nathan Lewis — high reviews. Nathan Lewis's, a former chief international economist for a research firm, ultimate conclusion is simple but powerful: gold has been adopted as money because it works. The gold standard produced decades and even centuries of stable money and economic abundance. If history is a guide, it will be done again. As described on the inside flap, "Lewis also provides an en-

gaging history of U.S. money and offers a sobering look at recent currency crises around the world, including the Asian monetary crisis of the late 1990s and the devastating currency devaluations in Russia, China, Mexico, and Yugoslavia. And, in doing so, explains why making gold a part of your portfolio has never been more important than it is today."

10. *Commodities Rising: The Reality Behind the Hype*, by Jeffery M. Christian — high reviews.
With Commodities Rising, You'll learn how commodities can be used to reduce risk and increase returns in a balanced investment portfolio. Author and commodities expert Jeffrey Christian debunks much of the misinformation currently circulating about commodities and provides a reasoned reality-check you can use to evaluate the claims and promises of various publications and brokerages in the commodity field. Specific issues addressed throughout this book include: variety of commodity investments such as exchange traded funds, stocks, futures, and options, commodities in the global economy, and investing strategies.