Metals and Tangibles

The Core of Diversification

Precious metals represent a necessary component for privacy and asset protection and serves as an excellent hedge against monetary inflation. For 5,000 years gold and silver has been a trusted medium of exchange and its intrinsic value has survived wars, revolutions, and currency devaluations. As a consistent store of value, precious metals are scarce and have been limited by nature itself. For example, it has been estimated that all of the gold mined in world history is equivalent to 135,000 metric tons and would fit into a cube measuring just 60 feet on each side. To put this in perspective, U.S. steel producers pour about 240,000 tons of steel each day!

When it comes to financial diversification, it must include a core position in the precious metals complex. As Wall Street wizard Gerald M. Loeb writes in his book The Battle for Investment Survival, "Diversification is a necessity for the beginner. On the other hand, the really great fortunes were made by concentration." Few people realize that Aristotle Onassis became super wealthy by investing his shipping fortune in gold during the 1970s, and a similar opportunity exists today. For example, Warren Buffett is reported to own 40% of the above-ground inventory in silver, and Bill Gates has recently bought a silver mine. These billionaires have recognized the need to concentrate some of their wealth into gold and silver for profit and protection in the past few years.

Since 2001, precious metals (and base metals) have been in a secular bull market driven by concerned investors, industrial demand, hedge funds, and a growing awareness that capital markets are highly leveraged and geopolitical tensions will continue to worsen around the world. Gold and silver have posted significant gains since 2001 and this trend will likely continue to strengthen despite occasional corrections along the way. "Contrarian" investors are well advised to stay the course in these uncertain times.

Investing in gold and silver represents a contrarian strategy that is despised and hated by Wall Street brokerage firms and their media pundits. Exactly why is? Precisely because any gains in the precious metals complex suggests that their financial markets are risky and that their financial advice is either fundamentally wrong or harmful. Wall Street is a huge paper machine that is driven by the greater fool theory and a firm reliance on paper currency (credit expansion) created by the Federal Reserve. Gold and silver represents the only safe haven against inflated paper assets and paper currency. As legendary financial analyst Richard Russell has stated:

In world history, no irredeemable paper currency has ever survived. Since all the world's currency is now irredeemable (in gold), this means that in the end, the only form of money that will survive is real intrinsic money – gold.

Will Rogers once said he was more concerned about the return of his money rather than the return on his money. In today's volatile markets you need a secure financial foundation, and precious metals provide a safe and profitable alternative to conventional Wall Street brokerage advice and government propaganda. As social critic George Bernard Shaw once put it:

You have to chose (as a voter) between trusting in the natural stability of gold and the honesty and intelligence of members of the government. And with all respect to these gentlemen, I advise you, as long as the capitalist system lasts, to vote for gold.

Investing in tangible assets has the distinct advantage of preserving wealth, privacy, profit, and liquidity. These tangible assets can also include diamonds, collectibles, antiques, art, stamps, documents, oriental rugs, rare coins, silverware sets, fancy guns, and of course, all real estate that is owned free and clear.