Strategic Wealth Preservation

INSIDE THE VAULT

A QUARTERLY NEWSLETTER FEATURING PRECIOUS METAL INSIGHTS - JULY 2019

WELCOME INSIDE THE VAULT

It's my great pleasure to welcome you to Inside the Vault, our new quarterly publication focused exclusively on precious metals and long-term wealth preservation. We've always endeavored to provide our clients with access to quality information surrounding precious metals and their related services, while shedding light on both the historical and present-day events that influence the shiny stuff. Inside the Vault is the culmination of our collective industry experience and applied knowledge, which we are delighted to be sharing with you.

Contributing authors include senior members of our industry, such as, Jeff Thomas of Doug Casey's International Man and Jeff Clark of Goldsilver.com. Enjoy our timely market updates and read our answers to investors' most frequently asked questions in the 'Ask the Expert' segment.

I learned a long time ago, that the road to understanding and truly appreciating the value of precious metals in a well diversified portfolio, begins with an education. Let Inside the Vault serve as part of your ongoing precious metals education, while benefiting from our insiders' perspective.

Mark Yaxley, General Manager for Strategic Wealth Preservation (SWP). He has been focusing on the diverse needs of retail and commercial precious metal investors since 2006.

GOLD Q2 HIGHLIGHTS: BREAKOUT!

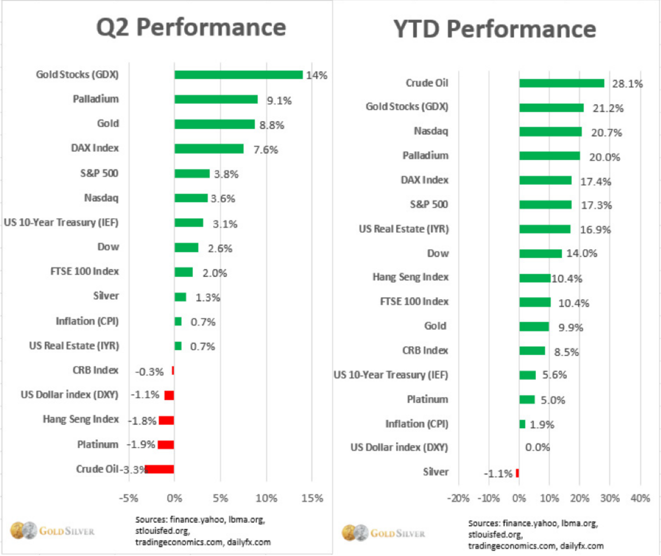
Written by Jeff Clark, Senior Analyst Goldsilver.com and SWP Advisory Board Member

It's not lost on us that in the inaugural issue of Inside the Vault we can highlight that gold has broken out of a six-year lull. It's admittedly been a long wait, but it now appears gold has shifted to a higher (and more exciting) price range.

This brief report will highlight what's taken place with precious metals this past quarter and year-to-date, along with how they compared to other assets. We'll also briefly look at what potential catalysts lie ahead. We'll provide this context in every issue of ITV to help you track the precious metals markets and make decisions.

What to Know

For the first quarter and first half of 2019, here's the performance of precious metals, along with other major asset classes.



A few important highlights…

- Gold outgained all major asset classes last quarter, except palladium and gold stocks. It's up nearly 10% so far in 2019.
- Gold is now at or near all-time highs in a total of 72 global currencies.
- Silver has underperformed gold, pushing the gold/silver ratio (gold price divided by the silver price) to 92.1, a 28-year high. This makes silver currently a better bargain than gold for those looking to add bullion.
- Bitcoin (not shown) spiked 200% last quarter. It's up 230% YTD.
- Most chartists believe the gold price broke above a long-term resistance level in June. Gold has not exceeded $1,400 since August 2013. Piercing through such a prolonged trading range suggests the price is in for a run.

What to Watch

The Fed: The US central bank has completely shifted gears, going from raising rates to now likely cutting them. When discussing whether or not to push interest rates higher or plan for more QE, Chairman Powell said, "There will be a next time."

It's not just the Fed. As Bloomberg points out, "With central banks around the world turning more dovish, the latest move in gold may just be the start."

Interest Rates: Wall Street has priced in a near 100% certainty that a rate cut will be made at the Fed's July meeting. Rate cuts are generally gold bullish, since it diminishes gold's holding cost and lowers competition from Treasuries.

Negative Interest Rates: The amount of government bonds paying less than zero hit $13 trillion in June, a new record. There is no evidence this trend will let up.

Currency Wars: President Trump continues to accuse foreign governments of currency manipulations. This and trade conflicts are gold bullish.

Geopolitical: The clash between the US and Iran continues, and there appears to be no end in sight.

Central Bank Buying: Kazakhstan, Russia, and Turkey added to their gold Reserves last quarter. China has added to its gold reserves six consecutive months. There is no evidence the trend of record-level buying from central banks has let up.

THE GOLD RUSH

Written by Jeff Thomas, feature writer for Strategic Wealth Preservation, Doug Casey's International Man and 321gold.com

For over 5000 years, gold has been used as money. As Aristotle observed, gold is durable, divisible, consistent, convenient and has a value unto itself. It's therefore an ideal material to be used as money.

He might also have said that it's finite. Unlike modern paper currencies, it can't be produced in a limitless supply.

Although fiat currencies have repeatedly been used as money over the centuries, whenever a crisis occurs, fiat currency is devalued, and when a major crisis occurs, it returns to its intrinsic value of zero.

In every case, the world returns once again to gold, to recreate economic stability.

Economic crises tend to be debt-driven. Today, the level of debt that exists in the world is far beyond any level that has ever existed, so it's safe to say that we'll soon be experiencing a crisis that's likely to be beyond any level that's ever existed.

In prosperous times, the great majority of people are either not aware of economic history, so are not especially concerned, or, if they are aware, they're relying on their leaders to solve the problem for them.

Unfortunately, those very leaders have been fundamentally involved in creating the problem, so it's safe to say that they're unlikely to have a plan to come to the rescue.

As in every age, those who prepare for a crisis tend to be few in number. Those few are likely to have created an insurance policy of sorts – investing in gold, so that, when the crisis arrives, if their currency units and assets take a huge hit, they'll have one asset that will be increasing in value, as a direct result of the crisis.

As always, the greater the crisis, the greater the rise in the value of gold.

In all of history, some 170,000 tons of gold have been mined. Added to that, some 2000 tons of gold are mined each year. Half of that is made into jewellery and some goes to industrial use. Only one-third of that amount is used to make bars and coins. This small amount is all that's added to the volume of gold available for investment.

The primary source for these trades is the bullion houses. Transactions are handled electronically. The investor buys or sells and receives an electronic notice of his resultant position from his broker. What he owns is "paper" gold, or ETF's (Exchange-Traded Funds).

This means that the buyer never actually possesses physical gold through the ownership of ETF's. What he possesses is a document that assures him that the bullion house has transferred ownership of the gold to him. In effect, what he has is a "promise" that he owns the gold.

And that's where things get a bit dodgy. Since the bullion banks and the trading houses profit from every transaction, they, understandably, want to make as many trades as possible. Consequently, they accept each request to buy, regardless of whether the gold actually exists. It's been estimated that roughly eighty percent of the gold that exists on the trading house books, doesn't physically exist. (Think of that for a moment.)

So, does that mean that, if you buy gold on the market and receive confirmation that you own it, you actually possess only one ounce out of every five you've purchased?

Well, no, actually it's a bit worse than that. It's more likely that you possess none of what you purchased. Although physical gold transactions do exist and the purchaser can arrange to take delivery, the "paper" gold market isn't based upon possession, it's based on the concept that "somebody owes you something," and will hopefully deliver.

In prosperous economic times, most people make good on their promises to make good on what they owe, so that they can remain in the game with their reputations intact. However, is crisis times, all bets are off and very few people make good on their promises. To a great extent, in a crisis, "everybody burns everybody."

And, in a crisis, the markets can be expected to crash and paper gold can be expected to go to zero. Paper gold would then have the same value as paper currency.

Fiat currency, after all, is a mere promise to pay, which means that you shouldn't be surprised if your paper gold turns out to be fiat gold.

This is precisely why, for the last 5000 years, physical gold has invariably returned to the fore as a storage of wealth, whenever a major crash has occurred.

In every era, whenever the fiat currency bubble has burst, bank notes, regardless of their denomination become so valueless that they're used as wallpaper (as they were in the German collapse of 1923), or used as kindling, to start fires (as they were in the Zimbabwe collapse in 2008).

Yet, at these times, gold always retains its intrinsic value and the world turns to gold once again as a store of wealth. Those who physically possess gold will be those who have wealth, not those who have accounts with banks and/or brokers.

So, what, then, happens after a crash? Not everyone is entirely wiped out. Commerce continues, in spite of the devastation. What do those who still retain some wealth do?

Well, invariably, there's a gold rush.

Those who possess gold often try to buy more – as much as they can. And those who have none, soon learn that the price of gold is rising quickly, along with the increased demand. Often, they don't understand why this should be so; they only know that a gold rush is on and, if they're to save themselves, they'd better get in the game right away.

At that point, the hopeful purchaser offers to buy at the going rate, but the gold owner refuses to sell at the going rate. He may want to be offered $50 over spot. But, as gold rises more quickly, he may demand $100 over spot, then $200.

It's at this point that a mania sets in.

In 1999, I predicted that we had a gold mania in our future, but that it was a ways off. To be fully honest, at that time, I might have guessed that it would likely be ten to fifteen years. It's taken longer than I expected.

But, regardless of the timing, the economic conditions that would create a gold mania have only worsened in the interim and a gold mania is even more assured now than in 1999.

As in any mania, gold will rise well beyond what is rational. Those who understand gold's function as a store of wealth will cease to buy at some point, whilst those who are presently chasing the stock market beyond the point of reasonable returns, will do the same with gold. Once the gold rush is on, they'll endeavor to buy gold regardless of the price and, at some point, the bubble will pop. We cannot now know what that price point will be; we can only say with certainty that we're in the unique position of being at the starting line of the gold rush and we have the unique opportunity to start early – just before the starter's pistol has been fired.

The wise investor would do well to consider liquidating some of his other positions and moving the proceeds into physical gold.

HOW TO STOP FALLING DOMINOS

Written by Jeff Clark, Senior Analyst Goldsilver.com and SWP Advisory Board Member

I loved watching dominos fall as a kid. Setting up different arrangements was fun, but watching them fall was, of course, the most entertaining part.

Once when setting them up, I accidentally bumped a domino—and down they all went. After this happened a couple times I realized that once they started it was darn hard to stop them. I tried grabbing a domino ahead of the cascade and held it up so they'd stop there. Sometimes that worked, but usually I'd bump the one beside it and start the cascade again.

What does this have to do with gold and SWP?

Everything…

The Dominos Are in Position

What do you view as the greatest threat to your wealth… inflation? A stock market crash? A world war?

While all of these could greatly impact an investment portfolio, the one thing that would hurt it most is if ***you couldn't get to it.*** Regardless of the reason, if you can't access some portion of your wealth, it's essentially worthless to you. This is the core rationale behind internationalizing one's assets.

Unfortunately, the risks to assets getting "caged" domestically are growing. During periods of recession or crisis, governments grow increasingly desperate for revenue. It's so common it's predictable. And the worse the crisis, the more heavy-handed their "solutions" can become. In fact, as we've seen throughout history…

- There have been numerous instances of confiscations, nationalizations, capital controls, bailouts, bail-ins, government rule changes, and individual seizures.

The problem today is that when the next recession or crisis surfaces, governments will find they are too deep in debt to deal with it effectively. Further, the primary tools used during economic upheavals are very limited and will be used up very quickly. Keep in mind that Fed Chairman Powell has already admitted zero interest rates and more QE are inevitable.

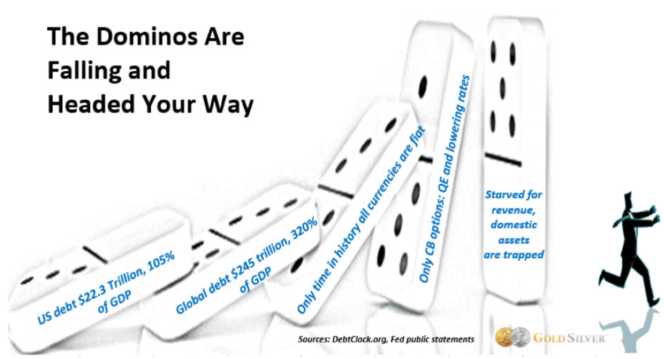
If the tools of central bankers are too feeble, other aggressive measures will need to be taken. It won't take much for US politicians to begin looking for revenue in every conceivable corner, particularly as the pressure grows to meet the financial obligations of social security, Medicare/Medicaid, defense, interest on the national debt, infrastructure, etc. The same is true of other developed countries.

This setup is not unlike a line of dominos, standing in position, ready for the first one to tip over and start a cascade.

The Dominos Are Starting to Fall

While it may not "feel" like wealth held domestically is trapped, your assets stand at the end of a line of financial dominos that once tipped, could make them increasingly appealing to desperate government officials. The more you have, the more likely you'll be a target. The worse the crisis, the more you'll be a target.

Unfortunately, those dominos are already starting to tip over—and you and your wealth are standing right in their path.



Government debt is mathematically unpayable… all currencies are fiat for the first time in history and thus can be printed at will… and the interest rate tool loved by all central bankers is deficient. In other words, the government's methods are too weak to work.

So where will they look to meet their revenue shortfall? Many places—one of which could be your personal wealth.

And just like in real dominos, once they start to fall the cascade happens very quickly, and will reach you and your wealth suddenly. There will be little time to react.

There's Only One Solution to Falling Dominos

Just as I learned as a kid that you can't stop the dominos once they start falling, so is it with our financial conditions today.

Since you can't stop the dominos from falling, there's only one solution:

GET OUT OF THE WAY!

You can't pretend the dominos aren't there. You can't assume you'll be able to sidestep the cascade or outrun it. You can't look at others who make no preparations and conclude it's not important. And if your wealth does get trapped you'll have no recourse.

There's only one wise move. Remove assets out of its path.

This means that at a minimum, move at least some of your assets away from potential harm.

This is one reason SWP was created. To provide an inexpensive yet highly secure option for international diversification, with one of mankind's most trusted assets: gold. Storing some bullion in Cayman gives you layers, and time, should you ever need them.

I hope you'll consider the risks to your domestic wealth, before the dominos in your country reach them.

ASK THE EXPERT – "WHAT SHOULD I LOOK FOR WHEN CONSIDERING STORING PRECIOUS METALS OFFSHORE?"

Written by Mark Yaxley, Precious Metals Expert and General Manager for Strategic Wealth Preservation

It's a great question and one that investors ask us often. By the time they ask us, they've identified a fundamental concern with the jurisdiction where they currently hold their precious metals. That concern varies from person to person, but generally it has to do with increased government regulations, the physical security of their metals or that they've simply accumulated most of their wealth in one single place.

When it comes to storing precious metals offshore, there are two main areas that investors need to consider. Number one, is the jurisdiction where the metals should be stored and secondly, is identifying the best secure storage facility within that jurisdiction.

The jurisdiction comes first. Here's what to look for:

Discretion from wealth reporting – you want to select a place where your personal information and holdings are not going to be reported to the local or foreign governments or tax authorities.

Tax and tariff free – ideally, a country that does not impose any sales tax on the purchase or storage of precious metals, nor any import tariffs on precious metals (in the case of a delivery).

Metals Friendly – a place whose government is not only stable, but who understands and appreciates the importance of foreign investment and values investor privacy.

Proximity - you'll want to maintain proximity to your metals, so select a country that is within a half-day's travel, shares a similar time zone and whose residents speak the same language.

Find the best storage facility in the jurisdiction and take a close look at its policies:

Retain direct ownership – understand the form of precious metals you are buying and how it will be stored. Ideally, 100% allocated and segregated, clearly defined as your personal property.

Visitations and self-audits – you'll want to select a facility that allows you to visit your metals upon request. There is no better way to know that your metals are safe and actually exist.

Independent third-party audits – the facility must perform independent audits and provide you with a statement from a recognized third-party auditor at least once per year.

Insurance policy – make sure that the facility maintains a robust insurance policy against events including theft (also employee theft), fire, flooding and mysterious disappearances.

Liquidity – this is a critical item, often overlooked by investors. Make sure that the facility can provide you with a liquid market to buy and sell your precious metals on demand. In the case you are selling metals, they must be able to pay you within 48-72 hours. The last thing you want is for your metals to be stuck in a facility where you can't sell them quickly, if needed.

If the jurisdiction and storage facility you select successfully checks all the above boxes, it's very likely that you will have addressed the initial concern that led you to seek out offshore storage in the first place. Note, SWP offers investors access to secure storage in nine jurisdictions worldwide, all managed under one single SWP account, including eight outside of the United States.

To learn more, visit our website: swpcayman.com/storage/locations

"When it comes to storing precious metals offshore, there are two main areas that investors need to consider. Number one, is the jurisdiction where the metals should be stored and secondly, is identifying the best secure storage facility within that jurisdiction."

- Mark Yaxley, Precious Metals Expert

ASK THE EXPERT CONTEST – WIN A LIMITED MINTAGE SILVER MARLIN COIN

If you have a question about precious metals that you'd like answered by one of our experts, please submit your question to info@swpcayman.com. If your question is selected, you will receive a limited mintage 1 oz Silver Marlin coin.

Strategic Wealth Preservation

ABOUT US

Strategic Wealth Preservation (SWP) is an international precious metals dealer and secure storage provider headquartered in the Cayman Islands. We specialize in the acquisition and secure storage of precious metals for individuals, companies, trusts and wealth management professionals on behalf of their clients. We deliver precious metals worldwide to homes and businesses and offer secure storage in vaults located in the Cayman Islands, Canada, the United States, United Kingdom, Switzerland, Liechtenstein, Germany, Singapore and New Zealand. We also offer offline cold storage services for cryptocurrency devices and corporate disaster recovery services for businesses located in the Cayman Islands.

SWP's secure storage facility
George Town, Grand Cayman

- » LEARN MORE ABOUT BUYING GOLD
- » LEARN MORE ABOUT SECURE STORAGE
- » READ MORE ARTICLES
- » VIEW OUR VIDEOS
- » FREQUENTLY ASKED QUESTIONS
- » CONTACT US

July 2019 Edition

Contact: www.swpcayman.com | P. 1(345) 640-2111 | E. info@swpcayman.com

Follow Us