

# INFORMATION LINE

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## Perspective



Michael Checkan

*As we go to print with our second Information Line for 2010, we are not certain that we have seen the bottom of gold's recent correction.*

*Nearly two months since gold hit its all-time high around \$1,220*

*per ounce, it is trading at \$1,100 per ounce...a pullback of just under 10%. Silver, following gold's lead, with a tad more volatility in a thinner market, is down a little over 13% in the same period.*

*Platinum and palladium are both up recently, 3% and 10% respectively. Most likely, this is not a decoupling of the platinum group metals from the rest of the precious metals complex. More than likely, it is the impact being felt due to the introduction of platinum group metal exchange traded funds (ETFs). As with the launch of the gold and silver ETFs, the ease with which the metals can be bought bears some responsibility for the spike.*

*Overseas, the U.S. dollar is flexing its muscles a bit. All the major currencies are down on the order of gold's retracement. Domestically, the major indices are slightly weaker as well.*

*Such is to be expected in a stagnant economy. Ticks up are followed by ticks down and vice versa.*

*Investors are trying to find the right way forward through any sign they can find in the tea leaves. The slightest hint that a trend may be forming causes a short-term*

*mini-run if you will...one direction or the other.*

*But that is not what should be guiding our*

*...continued on p.4*

## Add a Golden Touch to Your IRA

by Kevin C. Drost

Step to the rear, stocks and bonds. Treasury bills, beware. There's an alternative investment available to folks looking to protect their retirement funds.

I'm talking about putting gold and silver, as well as foreign currencies, in your IRA or other retirement account. Many Americans don't realize that IRS rules allow them to place a wide variety of assets into a self-directed retirement account, including gold, silver or platinum; foreign real estate; and even Swiss annuities.

Here at ASI, we believe prudent investors should consider placing both precious metals and foreign currencies in their retirement portfolio. Gold of course is the ultimate hedge against a falling dollar. But a Swiss annuity, denominated in a strong foreign currency, can also protect your wealth and even enhance it.

Let's look at some of the advantages of placing precious metals in your IRA and how ASI can assist you. First, you need to be aware that the Taxpayer Relief Act of 1997 allowed for physical precious metals, including gold, silver, and platinum, to be added to IRAs. The new law said physical bullion bars and some coins could be added to IRAs as of January 1, 1998. Retirement account holders who began putting gold bullion into their IRAs have seen significant gains, while many who only held traditional investments have not.

Consider this. Since January 1, 1998 gold prices have increased over 300%. Now compare that to the performance of the three major U.S. stock indices over the same time period. The Dow is up a measly 3%, the NASDAQ just 7%, and the S&P 500 around 12%.

By contrast, most of our clients who allocated a portion of their IRAs to gold enjoy seeing very substantial gains when they look at a monthly or quarterly statement. Good for them! We'd like you to be one of them.

### How to Put Gold in Your IRA

Putting gold in an IRA does not require a complicated process or frustrating set of procedures. It's relatively easy and can be done from the comfort of your home. The first step is to call ASI. We will direct you to a trust administrator that will help you put

precious metals in an IRA. (Even though the law allows gold to be put in an IRA, not every trustee permits it.)

Of the various ways to put physical metals in your IRA, our favorite is using the Perth Mint Certificate Program. There are many advantages to doing so: Premiums and administrative costs are low, there are no storage fees, holdings are guaranteed by the Government of Western Australia and insured (at the Mint's expense) by Lloyd's of London. Best of all, placing precious metals in your IRA using a Perth Mint certificate provides international diversification for those assets. You'll enjoy the peace of mind that comes from knowing they are secure.

With the new rules allowing rollovers from a traditional IRA to a Roth IRA with no income limits, now is an ideal time to increase your precious metals holdings. This can help secure your retirement for many years down the road.

Swiss annuities are another alternative investment that can be placed in an IRA. Since fixed-rate single-premium Swiss annuities are a foreign currency investment vehicle, the decline in the value of the U.S. dollar can actually increase the value (and payout) of your annuity. Combine this with the tax deferability that comes with being in an IRA, along with a lifetime income benefit, and you can see why many experts consider a Swiss annuity one of the best foreign investments available.

Asset Strategies is not an insurance agent, nor are we a representative of any Swiss insurance agency. We are foreign currency and precious metals specialists.

As such, we act as a go-between for our clients with a reliable and trustworthy Swiss bank or insurance company. We do not receive any remuneration for this service.

*...continued on p.3*

### In This Issue

- Add a Golden Touch to your IRA – p. 1
- Currency Corner – p. 2
- The Hard Stuff – p. 2
- Inside Story – p. 3
- Bits & Pieces – p. 4

# Currency Corner

## A Foreign Subject

By Glen O. Kirsch

It doesn't take a rocket scientist to figure out that precious metals have been the winning horse in the investment performance race during the last 5 years. But, if you look, behind the winning horse, you would see that foreign currencies take a close 2<sup>nd</sup> place.

When John Q. Public hears the words "precious metals," he has a basic understanding of the investment vehicles available ... for example: coins, bars, certificates, stocks, ETFs.

However, mention the words "foreign currencies," and John Q.'s eyes glaze over, with indecision about investment vehicles, and the result is no decision.

So, "foreign currencies" or "foreign exchange" truly become a FOREIGN subject.

OK, let's take the mystery out of "foreign currencies." The term "foreign currency" can be used interchangeably with "foreign exchange." They both are about the means of exchange of another country. English Pounds, Swiss Francs, Euros, it doesn't matter; anything other than US dollars would be a "foreign currency."

In the past, exchange rates were fixed between currencies. But the world changed. There was a transfer of financial power beginning in the '30s, from England and the pound to the US and the dollar. The dollar's position of power as the world reserve currency was cemented after World War II and continued for another 35 years. It was during this period the saying describing the US dollar was "as good as gold." During this period the US had amassed the largest gold stockpile in history.

In the early '70s, the rules of the game changed again. Exchange rates were allowed to freely float and up and down trends could identify fundamental strength or weakness of a currency. Of course, not all currencies are created equal. The dollar, reeling from high deficit spending in the '60s was beginning a 40 year decline.

US banks over the years were permitted to offer foreign currency services. But the response by the domestic banks could be described as WEAK at best. US banks remain very provincial with only a handful offering foreign exchange products.

How does one invest in foreign currencies in the US? Not easily, with only limited foreign currency investment services available, one is forced to look overseas.

The services available overseas fall into three categories: insurance, banking, and funds management.

**Swiss Annuities** – Not your normal annuity. They are no-load front and back end, can cancel with no penalty and offer a "life income" guarantee. They can be denominated in 5 different currencies. The minimum investment is \$50,000 and they can be placed in IRAs. It is a foreign currency investment vehicle.

...continued on p.4

	YEAR AGO	CURRENT	
Swiss Franc	\$0.8624/Franc	\$0.9378/Franc	▲
British Pound	\$1.3988/Pound	\$1.5658/Pound	▲
Japanese Yen	\$0.0101/Yen	\$0.0111/Yen	▲
Euro	\$1.2647/Euro	\$1.3760/Euro	▲

# The Hard Stuff

## Gold: The Pause That Refreshes

By Adrian Day

Last year was a particularly rewarding one for gold and gold stocks, as the sector rebounded sharply from the end-2008 credit-crisis sell-off. While gold itself was up 24% in 2009, the stocks, as is typical, leveraged that performance, with the XAU index of major companies up 36%, and the average gold mutual fund up just over 50%. Many managers did much better, of course.

The strong recovery of 2009 should be seen in the context of sharp declines in 2008. So what now? Should investors sell in order to protect the rally gains, even though many stocks are still well down from their highs and selling at reasonable valuations?

We think not. Despite hitting yet new highs near the end of the year, there is much further to go for gold and gold stocks. We should therefore look at the conditions that led to this move.

Gold certainly was helped by the weak dollar, but it's much more than an anti-dollar play. Gold is up in terms of all currencies, boosted by concern about inflation and extraordinarily low interest rates. Mostly, it's a vote of no confidence in the world's paper monies, and skepticism of central bankers' abilities to effect stable money, and specifically to exit stimulus programs in an orderly manner. Nothing has changed, and gold is becoming a new de-facto alternate currency. There is a lot further to go.

Most significant perhaps, central banks have switched from net sellers to net buyers. Banks of newly emerging countries that built up their reserves in the last couple of decades tend to have among the highest levels of reserves but the lowest proportion of gold (India, China, Korea and so on). Overall, the proportion of gold held in central bank reserves has declined from 30% a decade ago (and that followed a period of heavy bank selling) to just over 10% today. China, Korea, Japan and many others hold well under 5%, and the ease with which India scooped up half the IMF's gold for sale shows clearly that demand overhang is not a problem. Central banks are likely to be net buyers for years to come.

The gold stocks remain inexpensive, with the major stocks selling at historically low prices relative to bullion, and at the lowest price-to-earnings and price-to-cash flow ratios in over 20 years. Even better values can be found among the exploration companies, where some trade close to their cash holdings. So we are buying both, the seniors for more certain exposure to a rising market and the juniors for greater profit potential. An exploration company that actually makes a discovery is likely to be snapped up by the resource-hungry seniors, so we are patient holders.

The recent pull-back in gold and gold stocks is nothing to be concerned about. Such corrections are not unusual and can be nerve-racking. But the lesson is not to panic and ride out the decline, provided you own good-quality companies. Think how quickly the gold stocks made back all of their 2008 losses; those who panicked and sold surely rue the day. A correction such as we are experiencing is a time for astute investors to add to positions, and there are many good quality companies selling at low valuations.

...continued on p.4

	YEAR AGO	CURRENT	
Gold	\$911.10/oz.	\$1,080.40/oz.	▲
Silver	\$12.71/oz.	\$15.29/oz.	▲
Platinum	\$1,053.00/oz.	\$1,512.00/oz.	▲
Palladium	\$195.00/oz.	\$418.00/oz.	▲

# INSIDE STORY

## Great Expectations

By Rich Checkan

Knowledge is power. As Glen always says, “An educated client is our best customer.” I believe we can take that one step further. With realistic expectations comes peace of mind.

In the end, that is our goal. We want to help each and every client achieve peace of mind. There is enough uncertainty in this world already. That is especially true when it comes to investing. However, if we can help a client achieve a degree of certainty, perhaps we can also help remove some of the stress in their lives.

To this end, I would like to explain a few of the areas where we receive recurring questions from clients. The goal is to establish realistic investment expectations, a better understanding of the process, and thereby gain some peace of mind.

Let’s discuss ASI’s investment philosophy and some of our procedures.

### Investment Philosophy

Those that have bought or sold precious metals and foreign currencies through ASI over the years know one thing for certain. We are not a short-term trading company. Our focus remains squarely on market fundamentals that drive long-term trends.

We will never suggest that you buy or sell in the short-term because of some soon-to-be-forgotten news event or the latest tout by some trader or TV talking head. You will receive our analyses of long-term market fundamentals, both in our newsletter and our twice-a-week Alerts. We hope these help you with your investment decisions.

Further, ASI is neither an asset management company nor a certified financial planner. We cannot and do not give investment advice. We do give our opinion about the precious metals and foreign currency markets, but remember, that is just our opinion. The decision to buy or sell remains with you. Sometimes you’ll agree with us, other times you may not.

The term “honest broker” is overused and in our experience, it is oftentimes trumpeted most loudly by those who are the least trustworthy. After 14 years with ASI, I can comment on its business practices. I have witnessed a potential purchase of gold that never took place because our client agreed with ASI’s view and did not proceed.

In those cases, ASI lost a commission. So be it. We are not in business for a one-time commission. We want to do what’s best for you. In so doing, we hope to gain your trust and the long-term broker-client relationship that comes with it.

This philosophy began with the founders of ASI, Michael Checkan and Glen O. Kirsch, and it permeates the entire organization. As a result, our sales representatives do not earn individual commissions on each transaction. Rather, they are evaluated on how well they satisfy your wants and needs.

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*continued from ADD A GOLDEN TOUCH TO YOUR IRA - p. 1...*

We earn our pay from the buying and selling of precious metals or foreign currencies.

You already know there are no guarantees when it comes to investment returns. But you’ve heard many times that adding alternative investments to your long-term portfolio can enhance their performance. Now that you know you can add precious metals and foreign currencies to your retirement account, we hope you’ll do so.

### Procedures

Here are some of the questions you as a potential client may have.

*Delivery Versus Picking Up Your Metals* – For over a quarter century, ASI has allowed clients to collect their metals from our office in Rockville, Maryland, during normal business hours. As of the end of 2009, we no longer offer this service. For security reasons and to reduce processing time, ASI is now shipping all physical metal orders directly from a depository. We use the **Diamond State Depository** in Wilmington, Delaware, which also offers storage facilities for our clients. To save shipping charges and to store your metals securely, you may wish to consider the secure storage at the **Diamond State** facility. Ask us for details.

*PMCP Liquidations* – ASI can submit an order for liquidation upon receipt of the properly endorsed and guaranteed Perth Mint Certificate (PMC). However, even though we will know your exact proceeds within 24 hours, we cannot release funds until the original PMC is received at the Perth Mint and funds have been wire-transferred to ASI. Based on 12 years of doing this, we know to allow 3-5 business days for FedEx delivery of your certificates to Perth, Australia.

*Best Perth Mint Certificate Pricing Point* – When you go to sell your metals back to the Perth Mint, there are three different pricing points you can select: The Perth Mint Spot Price, the London AM Fixing, and the London PM Fixing. The time difference from the first to the last can be around 13 hours. And yes, metals prices can vary quite a bit in those hours.

Given our long-term focus, we will not argue for one pricing point over another. If 13 hours is enough time to cause you to re-think an order, you are probably not buying or selling for the right reasons. And since the Perth Mint Certificate Program was designed to be a medium to long-term vehicle, you are buying the wrong gold vehicle.

Most clients use the Perth Mint Spot price due to the ease of purchase and the ability to apply all investable funds. If you want a published price, one of the London fixings would be your choice. And yes, in a highly volatile market, there can be a difference of several dollars per ounce between the a.m. opening and the p.m. closing for gold.

When it comes to investing, realistic expectations are great expectations. So, be informed about your investments and deal with a specialist with a proven track record over many years. ASI hopes to earn your business and help you meet your expectations, and thus provide you with peace of mind. □

Our suggestion? Call us today, to insure a more prosperous tomorrow.

Kevin Drost, the manager of Preferred Client Relations at ASI, can be reached by telephone at 1-800-831-0007 or send him an email at [kdrost@assetstrategies.com](mailto:kdrost@assetstrategies.com). □

# BITS & PIECES

*continued from CURRENCY CORNER - p. 2...*

**Foreign Banking** – They offer a wide variety of foreign currency services. Typically, a foreign bank is your securities broker too able to function on all the major stock exchanges in the world. Checking, Savings, and International Certificates of Deposit (ICDs), are available in foreign currencies too. Foreign banks are still taking Americans as clients. Account opening minimums can be as low as \$25,000, but generally begin at \$100,000, and can also be placed in IRAs.

**Funds Management** – Offshore money management using an international platform with an international approach and expertise. Account opening minimums typically begin at \$500,000 and are available under the umbrella of an IRA too.

So, how can ASI help you with your foreign currency needs? ASI performs the role of a “conversion and transfer agent.” In plain English, that means ASI receives your US dollars and changes them into foreign currencies, and then ASI transfers the proceeds to the overseas financial institution.

Let me be clear. ASI does not sell foreign currency annuities or bank accounts. We are not financial planners or money managers - nor are we asset protection attorneys who establish offshore structures.

ASI actually offers two services. The first is when we serve as a facilitator by introducing you to our overseas business contacts so that you can achieve your foreign currency goal. The second is as a currency specialist by helping you secure foreign currencies at a competitive rate with the transfer of the proceeds abroad.

ASI has offered conversion and transfer service since 1982. ASI's principals have been in the industry since the 1960s.

Let ASI help you achieve your foreign currency goals. Call us at 1-800-831-0007 or 301-881-8600. □

*continued from PERSPECTIVE - p. 1...*

*investments anyway. The noise or static caused in the markets by fleeting events, emotions, or the reporting of either in the news needs to be filtered out to a point that all you hear is the melody. Sound fundamental analysis is the tool or instrument that plays the music to which savvy investors listen.*

*These melodies tend to be long in nature. They are trends, not events. And, at least to our ears, we still hear the music.*

*Fundamentally speaking, the longer term is still quite bright for precious metals and strong foreign currencies. Conversely, the longer term remains bearish for the dollar. But that does not mean that the dollar will stop flexing its muscles just yet. We choose to put the dollar's strength in the here and now to good use by buying on short-term weakness in metals and currencies.*

*If you would like to do so as well, give us a call. In this market, your success as an investor will not be measured by the frequency of double-digit gainers. Rather, it will be measured by how effectively you were able to hold onto your wealth in fickle times for investors. □*

## Where Are Michael & Rich?

By Rich Checkan

Well, 2010 is off and running with a bang. We've taken on larger office space to afford us the ability to hire more people to better serve you. The move went very smoothly and seamlessly thanks to the efforts of Kevin Drost's wife Dina, who, aside from being Kevin's better half, is a professional organizer by trade.

As a result, when you call in, you will notice a few new, and very well qualified, representatives standing by to assist you. Their training is going smoothly, and, as a result, you will be in very good hands as Michael, Kevin and I begin to hit the road at upcoming conferences and seminars.

You will have ample opportunity to meet with us on the road this year. Here are the highlights for the next several months in groupings based on which of us will attend the event ...

### Michael

**The Austrian Advantage Expedition**, May 21-30, 2010

[www.aesu.com/austria/home.html](http://www.aesu.com/austria/home.html)

**The Swiss Advantage Expedition**, September 17-26, 2010

[www.assetstrategies.com/images/file/Travel%20Brochure.pdf](http://www.assetstrategies.com/images/file/Travel%20Brochure.pdf)

### Rich and Kevin

**12th Annual Investment U Conference**, San Diego, CA, March 16-20, 2010

[www.investmentu.com/investment-research/CIU0310/IUconf1109.html?pub=CIU0310&code=F300L401](http://www.investmentu.com/investment-research/CIU0310/IUconf1109.html?pub=CIU0310&code=F300L401)

**Total Wealth Symposium**, Montreal, May 19-22, 2010

[www.sovereignsociety.com/files/2010/01/TWS\\_Aletter\\_PS\\_01202010.html](http://www.sovereignsociety.com/files/2010/01/TWS_Aletter_PS_01202010.html)

### Rich

**JGAM Foreign Exchange Seminar**, Laguna Beach, CA, April 30 – May 2, 2010

[www.jgam.com/files/files/jgam/Marketing/0502\\_Invitation\\_JGAM\\_Seminar\\_California.pdf](http://www.jgam.com/files/files/jgam/Marketing/0502_Invitation_JGAM_Seminar_California.pdf)

**FreedomFest**, Las Vegas, NV, July 8-10, 2010

[www.freedomfest.com/home.htm](http://www.freedomfest.com/home.htm) □

*continued from HARD STUFF - p. 2...*

The key is in stock selection. Once you have your physical gold, start your stock portfolio with a core of good quality senior companies, with good balance sheets and with growth profiles that will ensure they will participate with gold. And then look for juniors and exploration companies, again with strong balance sheets and sound strategies. If things go wrong with the company, then move out quickly and wait for another opportunity. There will always be more, and the key is to have the discipline to wait for great opportunities.

*Adrian Day is president of Adrian Day Asset Management, a firm managing segregated accounts for high net-worth clients and companies, with a specialty in gold and resources. For more information, visit [www.AdrianDayAssetManagement.com](http://www.AdrianDayAssetManagement.com), call 410-224-2037, or email [assetmanagement@AdrianDay.com](mailto:assetmanagement@AdrianDay.com) and mention ASI. □*

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