

# INFORMATION LINE

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## Perspective

This month's newsletter contains a feature article by Dr. Erich Stoeger about "Investment Megatrends," and you will find in **Hard Stuff** an update by Glen O. Kirsch about the precious metal markets. Erich discusses the need for the global diversification of assets into specific investment sectors, while Glen makes the case for alternative investments.



Michael Checkan

A good time to consider placing a portion of your assets offshore or into alternative investments like precious metals or foreign

currencies is during times like we're experiencing today. Namely, when the news is of continued economic expansion in the US and there is a strong, but over-valued domestic stock market.

Look for commentary like, "The euro plunged almost 4% against the US dollar during the past 24 hours as the market witnessed tremendous volatility. As a result, the euro set a record low, which corresponds to new 10 1/2 year lows for the legacy currencies and the Swiss Franc." The best time to diversify into foreign currencies is when the US Dollar is strong.

There is a saying that "knowledge is power." But, the right knowledge and knowing how to use it is **real power**. This right kind of knowledge is available through independent financial newsletters like INFORMATION LINE (IL), The Oxford Club's COMMUNIQUE and the Sovereign Society's SOVEREIGN INDIVIDUAL. Also, you will find in this issue's **Inside Story** that real knowledge is conveniently available at upcoming investment seminars outside the US, too.

The last issue of IL contained an article  
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Glen O. Kirsch

## Investment Megatrends

by Dr. Erich Stoeger

The economic world is constantly changing at an ever-increasing rate. When the telephone was invented in 1875, it took 35 years to reach a market penetration of 25%. The Internet came into being in 1991, and it took only 7 years to reach the same level of penetration. Change dictates that industries will stagnate and new ones will spearhead further development.

Global diversification is paramount. Globally-oriented companies will grab a bigger stake in improving standards of living worldwide. These companies will be most successful. However, in the short run, some special plays with regional providers may also be rewarding.

In the very end, it will be of utmost importance for a successful portfolio to emphasize investments in the right sectors. Last year, for example, the most important choice was not how much one invested in the U.S. against Europe but rather in technology versus pharmaceuticals.

It is often very difficult to ascribe a company to a single industrial classification; but it is worthwhile to go through that exercise in a broad way and to understand which industries in the new millennium should do better than others and why.

You should EXPECT BETTER RETURNS in the following sectors:

**Technology and Internet:** The profusion of more user friendly electronic service providers will revolutionize the way people shop, entertain themselves, communicate and work. The Internet system is expected to double every 18 months. Web companies are service organizations with hardly any physical assets. Therefore, they can grow much more easily than production based companies. This, however, makes it difficult to define whether the stock price of a company is reasonable.

**Media:** People will enjoy more and more leisure. The rendering of such services will branch out or merge into high tech ventures. Mail order and TV broadcasting in various forms will become common place.

**Tourism and Travel:** This could be one of the fastest growing areas of the

consumer economy. Customers become wealthier and less price sensitive and have more time but will demand high quality services to meet their individual needs.

**Automotive:** Environmentally friendly fuel cells should bring a brief surge in business when consumers exchange their old gas driven cars. In the long term outlook, however, automobiles will be built of rust free materials and plastic and therefore last longer. Also, road surfaces will be improved and the replacement cycle will become longer.

**Environmental:** The size of this market is very big and will become increasingly more important. Energy companies will probably team up or merge into this sector.

**Health:** This will be another winner. Advances in medical science will lead to a steady aging of the world's population. Long-term residential care and medicine of all types will be in strong demand.

**Insurance and Life Assurance:** Demographic changes will benefit this sector. Also, private pension funds supported by tax cutting legislation will be placed into that industry by many governments around the world. This will prompt further mergers and acquisitions in the insurance industry and could possibly produce windfall profits for investors.

**Pharmaceuticals:** After a slow last year, this sector should come back due to new products, increased research capacities because of past mergers and specialization along with demographic developments.

Now, A CAUTIOUS APPROACH should be given to the following investment sectors:

**Tobacco:** Cigarettes will only find a good market in the poorer countries but will be almost completely banned in most of the

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# Currency Corner

## The Broken Three Legged Stool: Retirement Planning in the New Millennium

by Joseph D'Orazio

Most experts say that the average person needs 65% to 80% of his or her pre-retirement income to retire comfortably. But to get a more accurate estimate, it is necessary to project your specific post-retirement needs, based on family lifestyle and obligations. Traditionally, people have financed their retirement with the "three-legged retirement stool" – Social Security benefits, pension benefits, and personal savings. The stability of each of those retirement legs, however, is now subject to doubt.

**Social Security:** When the Social Security Act was passed in 1935, it was originally intended to act as a safety net to ensure that the elderly did not live in poverty, not as their primary income source. Today, many retirees rely almost exclusively on Social Security and are living substantially longer lives. In addition, benefits can now be obtained as early as age 62, with two out of every three Social Security recipients electing benefits before age 65.

Even if benefits continue at current levels, Social Security alone will not be sufficient for most retirees. For example, if your income need at retirement is \$6,000 per month, only 31% of that need (or \$1,860) will be met by Social Security.

**Pension Benefits:** Defined benefit plans, which promise to pay you a certain benefit related to your salary and length of employment, are on the decline. Between 1986 and 1991, nearly half of all existing defined benefit plans were terminated. With corporations modifying pension plans to "cash balance" pension plans, senior citizens, who are about to receive such pension benefits, may see such benefits curtailed.

**Personal Savings:** Despite predictions that the baby boomers would significantly increase savings when they approached middle age, we have not seen those increases yet.

Defined contribution plans, where you, your employer, or both invest a certain amount each year with no guarantee regarding the ultimate benefit, have increased dramatically. 401(k) plans, the most popular form of defined contribution plan, have increased. Yet, many eligible employees are not even participating. An industry estimate has 26% of eligible 401(k) plan participants not utilizing this benefit.

How much do you need to save for retirement? The answer depends partly on whether the savings are pre-tax (e.g., 401(k) and IRAs) or after-tax. The chart below, Annual Retirement Annuity, will help you with how much you need to accumulate in both situations.

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	Year Ago	Current	
Swiss Franc	\$.6722/Franc	\$.6019/Franc	▼
British Pound	\$1.6025/Pound	\$1.5704/Pound	▼
Japanese Yen	\$.0084/Yen	\$.0094/Yen	▲
Euro	\$1.0811/ECU	\$.9706/Euro	▼

# The Hard Stuff

## From Russia With Love!

by Glen O. Kirsch

The first quarter of 2000 brought dramatic developments to the precious metal markets.

**Silver** remained quiet, reminiscent of a sleeping giant. Supply/demand fundamentals continue to improve for the "poor man's gold." View this as an accumulation period. Purchase 90% "Junk Bags" for physical possession in the U.S. and bullion through the Perth Mint Certificate Program (PMCP) in Australia.

**Gold** had some amazing volatility the last 12 months. Buffeted by continued Central Bank sales, the price reached 20+ year lows of \$250/oz., only to be erased by a Central Bank gold sale moratorium that propelled it back to \$325/oz. in a matter of weeks. This change in market sentiment should not come as a surprise to our readers. The supply/demand imbalance has been widening for a number of years. Without Central Bank sales as a source of supply, the gold market is in a deficit. Recent producer unwinding of forward sales has only reinforced the market's expectation of higher prices.

Gold's technical upside resistance point is \$326/oz. If gold can close above this point, it should quickly reach \$350/oz. with the next target being \$400/oz. We are seeing significant movement into gold, with profits realized from platinum and palladium liquidations. Many advisors are now recommending gold below \$300/oz. Purchase pure bullion coins for physical possession in the US and bullion coin abroad through the PMCP.

**Platinum and Palladium** have done amazingly well, reaching 10-year and record highs, respectively. Platinum was as high as \$570/oz. and palladium went over \$800/oz. The long standing Russian supply problem was the fuel that lit the fire. Long-term, we believe this market will continue to be plagued with supply uncertainties, but short term, it will be volatile as Russia tries to reassure the industrial users that all is well.

Many clients are capturing profits of \$50-\$200/oz. anticipating the volatility will enable them to re-enter the platinum market either in the low \$400/oz. range or if the gold to platinum premium narrows, to \$100/oz. or less.

With platinum and palladium profits captured, buying gold below \$300/oz. is a logical action. This would not only be true for speculative positions but "core holdings" as well. We must stress our willingness to capture profit now does not alter our opinion of higher prices in the long term.

The supply/demand fundamentals are excellent. Large supply deficits will plague these markets for some time. Please direct your attention to the enclosed flier about platinum.

We have discussed "backwardation" of markets in previous issues. For readers not familiar with this market anomaly, call ASI and allow us to explain. In short, spot prices are at a premium to the future contract price. What is important is that your liquidation price for physical coins today is based

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	Year Ago	Current	
Gold	\$283.00/oz.	\$284.50/oz.	▲
Silver	\$4.96/oz.	\$5.04/oz.	▲
Platinum	\$362.50/oz.	\$494.00/oz.	▲
Palladium	\$369.40/oz.	\$690.00/oz.	▲

# INSIDE STORY

## Offshore Investment Seminars

By Michael Checkan

There is real value when you participate in Offshore Investment Seminars. I have personally participated in many as a speaker and as an attendee. I have enjoyed traveling to and participating in seminars in Hong Kong, Singapore, Johannesburg, Zurich, London, Buenos Aires and Rio de Janeiro.

I would like to bring to your attention three upcoming offshore Investment Seminars. I will be present at each of them as a general session and/or workshop speaker. I suggest that you consider participating in them.

**Dublin, Ireland, May 5-7, 2000—Anglo Irish Bank Austria** is sponsoring the **1st Annual Global Investment Seminar**. The seminar will be held at the Five-Star Doyle Berkeley Court Hotel and will cover every aspect of international investing including...Global Economic and Tax Updates, Overseas Banking, Overseas Asset Protection, New Investment Opportunities and New Austrian Economics. To learn more contact Flight to Quality, Inc., Tel 800 364 0620 or 954 340 0083, Fax 954 340 0206 or Email [Dublin@FlightToQuality.com](mailto:Dublin@FlightToQuality.com).

**Paradise Island, The Bahamas, May 17-21, 2000—This Oxford Club/Sovereign Society** joint-sponsored seminar offers the attendee, "How to Get a Comprehensive Global Wealth Power Plan in 4 Days." On Paradise Island in the sun-soaked Bahamas at the Sheraton Grand Resort, some of the world's most prominent offshore experts will reveal to you their tax, privacy and investment secrets at **The 15<sup>th</sup> Annual Premier Offshore Advantage Seminar**.

The experts will help you get tax-deferred earnings, guaranteed

profits, and financial privacy using strategies proven to work. Throughout each day, you'll be able to put your personal offshore money strategies to work without delay—even open up a foreign bank account instantly! You'll also have the opportunity to meet with the experts of your choice during the exclusive interactive workshops.

It's a luxurious and indispensable seminar you won't want to miss. To learn more about this exclusive event, contact Michael Whetstine at [MWhetstine@agora-inc.com](mailto:MWhetstine@agora-inc.com), call 410 223 2645, fax 410 223 2650.

**Copenhagen, Denmark, June 14-18, 2000—Jyske Bank Private Banking**, a division of Jyske Bank, is sponsoring this **Global Investment Seminar**. This English language seminar by Denmark's fourth largest bank will be both educational and entertaining with a focus primarily on the global economy and the society of the future. Both local and international speakers, each an expert in their own field, will speak about how to best protect and diversify your assets.

For information contact Agora Travel, 235 NE 4<sup>th</sup> Avenue, Suite 102, Delray Beach, Florida 33483, call 800 926 6575 (or 561 243 6276), fax 561 278 8765, email [tours@gate.net](mailto:tours@gate.net). Or call Lonni Olin at Jyske Bank 011 45 33 78 76 33, fax 011 45 333 78 78 11, email [Lonniolin@jyskebank.dk](mailto:Lonniolin@jyskebank.dk), or visit [www.jbpb.com](http://www.jbpb.com)

World travel satisfies not only our appetite for investment seminars but for variety, the exotic, and the historical. Next month I'll share with you some insights into world travel from another avid traveler and friend, Count Claus von Sickingen-Hohenburg. □

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developed world. Brewers and distillers will need to diversify into catering and leisure activities in order to keep up.

**Engineering:** Due to tough competition from developing countries, it will be hard for major producers to improve their performance except in the transport and aerospace sector.

**Commodities:** The developed world is using less and less non-food commodities, which depresses prices. There is a global oversupply of aluminum, zinc, iron ore, and diamonds along with a drive to substitute and to recycle commodities. The prospect for copper may be better, whereas oil and gas will be the positive exception.

**Banking:** The world of banking will undergo an unprecedented and expensive change. This is due to the electronic information revolution, the Internet, development of e-commerce but also an oversupply of bank units and branches.

CHANGE IS UNAVOIDABLE; HOWEVER, BY UNDERSTANDING THE TRENDS, YOU CAN PROFIT FROM CHANGE.

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ANNUAL RETIREMENT ANNUITY						
(Per \$1,000 Savings)						
Years of Annuity	Assumed Annual Percent Earnings Rate					
	5%	7%	8%	9%	10%	12%
05	220	228	232	236	240	248
10	123	133	138	143	148	158
15	92	103	108	114	120	130
20	76	88	94	101	107	120
25	68	80	87	93	100	114
30	62	75	82	89	96	111

To understand how the chart works assume:

- 1) Determine with the chart above that by age 65 an individual's retirement plans will grow to \$1,000,000 and his or her after-tax savings to \$500,000;
- 2) Generate an annuity for 20 years;
- 3) Retirement plans continue to grow after age 65 at a rate of 10%  
The Chart shows that, based on these assumptions, the retirement plans produce a pre-tax annual annuity of \$107,000 (1,000 x 107). If a combined federal and state tax rate is 30%, the person will be left with a spendable income of 70% of the \$107,000, which will total only \$74,900 (0.70 x \$107,000 = \$74,900).
- 4) Further, assume the after-tax savings will continue to grow at a rate of 7%.

# BITS & PIECES

## All that Glitters...

Last year, we introduced you to the **Bullion Collection**. Through our affiliate company, First Collectors Guild, Inc., we offered 24-Karat gold bullion necklaces in either Baht or Link styles. Both styles were offered in either 18 or 24-inch lengths. Many of you took advantage of this offer, and many of you, upon receipt of your first order, placed subsequent orders. Because of this positive response, we wanted you to be aware that the **Bullion Collection** is available year-round. As we approach Mother's Day, Father's Day, and the graduation season, consider these beautiful necklaces as a wonderful way to say how much you care. These unique necklaces come with a Certificate of Authenticity and a complete one-year Workmanship Guarantee. Please refer to the enclosed flyer for more details. □

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about "Global Investing For The Truly Diversified Portfolio." This article mentioned that in late February 2000 **LiveInvestorsForum.com** would sponsor a global markets roundtable. Three independent investment newsletter writers participated in this on-line, interactive broadcast of how to "globalize" individual portfolios that are too heavily weighted with US Dollars and high-tech stock.

The expert panel included Adriane Berg, publisher of **WEALTHBUILDER**, and Steve Sjuggerud, investment director of the **Oxford Club COMMUNIQUE**. Also, Michael Checkan, publisher of **IL** and Jacques Luben, moderator of **LiveInvestorsForum.com** rounded out the expert panel.

The panelists agreed that, at this point in the maturing US bull market, many private investors are overextended in high-tech shares that defy normal measures of valuation. In addition, the strong US Dollar may soon be peaking because so much of its strength is linked to foreign speculation in the Wall Street runaway market.

The path to a more sensible, balanced portfolio clearly involves looking for opportunities in offshore mutual funds, precious metals, foreign currencies and individual European and Asian stocks. For some investors, it also may be appropriate to hold funds in legal offshore bank accounts and government guaranteed precious metals storage certificates.

A number of specific strategies were recommended by the panelists for 2000. These include buying shares in Mannesmann, Nokia, Cemex, the Singapore Web Index and precious metal coins in the Perth Mint Certificate Program.

You can listen to this informative roundtable by going online on the Internet to **LiveInvestorsForum.com**. Also, you can obtain a free written transcript by calling ASI at 1 800 831 0007. □

## Excise Tax on Swiss Annuities Eliminated

On October 2, 1996, an existing treaty between the U.S. and Switzerland was amended by a signed Protocol. It was subsequently ratified by the U.S. Congress on December 19, 1997. The significance of the Protocol was that the 1% Excise Tax on Swiss annuities was eliminated on purchases **after** the date of ratification.

We are aware that many clients erroneously paid the Excise Tax and are eligible for a refund from the IRS. The refund can be claimed for up to three years from the date you filed the #720 Form. The refund can be requested by completing Form #8849 and attaching Schedule #6. The signed form should be mailed to IRS, P.O. Box 312, Covington, KY 41013-0312.

It is important to enclose a copy of the #720 Form you filed and a copy of your cancelled check (front and back). You should receive the refund in approximately 2-3 weeks. If you do not enclose a copy of the #720 Form, it could take as long as 16-18 weeks to receive the refund.

You can obtain Form #8849 and Schedule #6 by clicking on [www.irs.gov](http://www.irs.gov) for Form & Publications or by calling ASI at 800-831-0007.

Don't delay! The first deadline is December 20, 2000. □

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

upon the nearby futures contract and can be as much as \$20-\$30/oz. **below** spot. You can avoid this discounting by purchasing your platinum through the PMCP, thus realizing full market value when liquidating.

**Remember, consider buying platinum in the low \$400's or when the premium to gold is less than \$100/oz.** A good website for monitoring precious metals prices is [www.kitco.com](http://www.kitco.com). □

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The Chart shows that this will produce an annual annuity of \$44,000 (500 x 88 = \$44,000). The total after-tax annuity (based on pre- and after-tax investments) will be \$118,900 (\$74,900 and \$44,000) for a period of 20 years. If someone lives beyond 85, he/she will have no further income!

To make a comfortable retirement a reality, I recommend that you save and invest continually and consistently. If you are eligible for a 401(k), take advantage of it, especially if your employer matches your contribution. The Year 2000 maximum contribution to a 401(k) is \$10,500. If you are eligible for a Roth IRA, you can put away \$2,000 per year. Save, save and save!

**Joseph A. D'Orazio is a Principal of Rembert, D'Orazio & Fox, a firm specializing in comprehensive financial planning and investment management. Mr. D'Orazio is an attorney, Certified Public Accountant and Certified Financial Planner. Contact Rembert, D'Orazio & Fox, 7647 Leesburg Pike, Falls Church, VA 22043, Tel. 703-821-6655, E-mail: [jdorazio@rdfadvisors.com](mailto:jdorazio@rdfadvisors.com). □**

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