

INFORMATION LINE

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Perspective

A month has passed since the cowardly terrorist attacks against New York and Washington, DC, but the images are just as vivid today as when they unfolded on September 11th. The effects of these despicable acts will be felt emotionally and economically for some time to come.



Michael Checkan

The question that immediately comes to mind is "Were you prepared for the crisis, or, alternatively, do you wish you had prepared better?"

Life is fraught with uncertainty. To ignore this fact exposes you to potential economic devastation. Six weeks ago, few in this world would have anticipated the attacks to come and the upheaval they would cause in the U.S. economy. As the Twin Towers came down, it was not the time to diversify out of Dollars and into foreign currencies. While the Pentagon burned, it was not the time to secure your "core holdings" in precious metals. These preparations should be made to protect against crises, not as a crisis unfolds.

September 11th was a perfect illustration of this point. Since this tragedy occurred on U.S. soil, the U.S. infrastructure was severely affected. All planes were grounded for a few days, so precious metals and normal business documents did not move, or moved slower than normal. Telecommunications were affected in different ways. Cellular relays were destroyed, and cellular communication was destroyed with it in the New York area. Telephone lines were jammed most of the day due to incredible volume. If you wanted to conduct business, it was doubtful that you could contact those you needed to reach, and, if you were successful, deliveries would most certainly be delayed.

Different crises would most likely bring with them unique consequences. It is impossible to

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Precious Metals You can Fold for the IRA Mode

by Glen O. Kirsch

For many individuals, the American dream is to have a job we truly love, where going to work each morning is a joy, which revitalizes the human spirit. We count ourselves among those individuals and for us that dream is a reality.

It's difficult to label what we do, as a job.

Each day is different, challenging and very rewarding. Because no two days are the same, boredom never enters into the picture. Variety gives us the "spice of life." Sometimes it is necessary to identify and evaluate investment vehicles and professionals that our clients can utilize to accomplish their investment objectives. That challenge sometimes requires the research and development of new products and services. In those instances, we get to prime our "creative juices." By helping our clients achieve their financial goals, we ultimately provide that "peace of mind." Our reward is going home each day, knowing we have had a positive impact on someone's life.

We had one of those priming experiences for our "creative juices" in 1997, when, in cooperation with GoldCorp Australia, we developed the *Perth Mint Certificate Program (PMCP)*. The challenge was to create the best precious metals certificate program in the world. After thirty months of R&D, the PMCP was officially launched in September, 1999.

Some of the unique features of the PMCP are: low certificate fees — \$50/document, geographic asset distribution — storage in Australia, choice of storage method — allocated or unallocated, and premier safety — the **only government guaranteed** precious metals certificate program in the world. The end result...**Safe, Affordable, Flexible and Exclusive (SAFE)**.

As recently as 1983, the U.S. public lost over 100 million dollars to two unscrupulous metals dealers offering storage program scams. We cannot emphasize enough the significance of the government guarantee and the fact that the PMCP is the **only** precious metals certificate program to offer such a guarantee.

Make no mistake, by creating the PMCP, a very real need was satisfied for a certificate program whose reputability was beyond reproach.

But, why is a certificate program necessary? Isn't physical possession of the precious metals the way to go?

Everyone should have a percentage of their portfolio in precious metals; this is just prudent asset allocation. Keeping some of it close at hand, in case of an unforeseen emergency, is a fail-safe, which we refer to as "core holdings." However, having all your precious metals in one geographic location isn't prudent. By holding some of your precious metals through a certificate program where it is stored abroad reduces that risk in a convenient and cost-effective manner.

Still, knowing that the PMCP is available and can satisfy a specific need, is that justification to purchase precious metals?

Many advisors are saying we are entering a new phase of Dollar weakness. We addressed this topic in the September *Information Line* "Hardstuff" article. A lower Dollar translates into high precious metals prices. It is imperative that you insulate your assets from this anticipated loss of purchasing power.

How can you insulate those assets from a falling Dollar when they may be in an IRA?

In 1997, the Tax Payer Relief Act broadened the 1986 rules regarding precious metals placed in an IRA. Now gold, silver, platinum and palladium in coin and bullion form were acceptable, subject to certain fineness minimums.

However, storage of precious metals in an IRA was still limited to the U.S., basi-

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Currency Corner

The Eastern European FX Markets

by: Thomas Fischer & Teddy Christiansen
Jyske Bank Private Banking, Copenhagen

Since the collapse of the Soviet Union (1990), Eastern Europe has undergone a tremendous transformation. The economies are slowly evolving from government controlled economies into market driven economies. In Hungary, for example, more than 80% of the economy is now in the hands of private investors.

The Eastern European foreign-exchange markets have also been affected. To understand why, we must define the term, real trade-weighted exchange rate. It is a comparison between the trade-weighted exchange rate of the Hungarian Forint and the currencies of Hungary's 10 most important trading partners. Simultaneously, a comparison is made of inflationary trends between Hungary and its trading partners.

In the early 1990s, the transformation process started in Eastern Europe with a steep increase in the inflation rate, and an appreciation of the trade-weighted currencies.

In the late 1990s, economic reforms continued, investments rose sharply, productivity increased and the real trade-weighted exchange rate continued to appreciate. However, the process was interrupted by the emerging market crises. Still, the trend remained positive.

Since 1999, the Eastern European currencies have been experiencing accelerating appreciation. The prospect of EU membership in 2004/05 has resulted in a significant inflow of capital into these economies.

Poland and Hungary have decided to introduce a floating, rather than a fixed, exchange rate – a precondition for EU membership.

In general, Eastern European exchange rates are being influenced by the on-going deregulation of economies and the prospect of EU membership. Eastern European currencies are also under the influence of the current downward market trends.

Metaphorically, EU membership is an anchor preventing the economies from drifting off course, and market trends are waves which might rock the Eastern European ship – but not sink it.

Here are some specific future currency trends:

Poland:

The trend for the Polish Zloty (PLN) is lower in relation to both the EURO and USD. Fundamentally, PLN is overvalued and it is only a matter of time before we see major depreciation.

Hungary:

Since the easing of currency restrictions on the Forint (HUF) by the Hungarian Central Bank, the FX markets have turned their attention to the HUF. From early May to mid-August, EUR/HUF dropped from 265.00 to 245.00. Due to external factors like the crises in Poland and Argentina, we saw a shift in the HUF rate, which has, however, stabilized at approx. 253.50.

In the coming months, we expect EUR/HUF to trade in the range of 248.00 to 265.00 – providing stable, attractive investment opportunities in Hungary.

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	YEAR AGO	CURRENT	
Swiss Franc	.5618/Franc	.6162/Franc	▲
British Pound	\$1.4488/Pound	\$1.4752/Pound	▲
Japanese Yen	.0093/Yen	.0084/Yen	▼
Euro	.8520/Euro	.9186/Euro	▲

The Hard Stuff

The Turning Point.....

What's Really at Stake in the Social Security Debate

by Denison Smith

Until the tragic events of September 11, Social Security was frequently in the news given the commission appointed by President Bush and the howls from opposition to change. Those of us who love liberty must make sure that this proposed reform moves forward to protect future generations from a financial disaster and to recover lost liberties.

Twenty years ago, Chile created a system of private retirement accounts. Many countries have followed including Poland, Sweden, Australia, Great Britain and six other nations. China is close to making this change as well as many other countries. Why are they changing?

As well intentioned as the original Social Security system may have been, it is based on a flawed mathematical model. Early retirees in the program earned an 8% return. Today's retirees receive between 1 and 2% and in the future, if social security could pay what it promises (which it cannot) the return would be less than 1%. The reason is, in a word, "ponzi." When there were 40 workers supporting a retiree, it worked. Now there are 2.5 workers for each retiree and the ratio will get worse. In fact, by 2070 the system will be \$22 trillion dollars in debt and \$135 trillion when adjusted for inflation.

The Supreme Court has ruled twice that there is no property right and that payments are nothing more than a transfer of money from one group to another which can be changed or eliminated overnight.

Even if the financial returns from Social Security were as good as private accounts, we still should go to the new system. The most important issue is who owns the account so families can pass assets to future generations through inheritance. This will help close the wealth gap and give more people a stake in the venture which will generally cause them to favor better tax and governmental policies.

The issue, therefore, really has nothing to do with the stock market. If you put all the money in guaranteed instruments, you are far better off due to return and inheritability.

Norman Thomas, head of the American Socialist Party said that America didn't need his party since the Republicans and Democrats had adopted every plank of the socialist movement. Americans did not buy this philosophy wholesale, it happened one tenderhearted idea at a time. Social Security is 23% of the Federal budget. When the system is changed to private accounts, it will remove politicians ability to make old people dependent on their definition of benefits, and most importantly, it will mark the end of the welfare state for good.

Friends of liberty, we have been incrementalized out of our free-

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	YEAR AGO	CURRENT	
Gold	\$272.50/oz.	\$294.70/oz.	▲
Silver	\$4.92/oz.	\$4.62/oz.	▼
Platinum	\$585.00/oz.	\$445.00/oz.	▼
Palladium	\$744.00/oz.	\$369.00/oz.	▼

INSIDE STORY

New Age Planning — The European Way to Protect Your Assets

by Marc Sola

Unfamiliar to many offshore investors is an investment structure called a Portfolio Bond. It combines the best of two worlds — banking and insurance — in a safe offshore jurisdiction.

How it works

The Portfolio Bond can be considered as a simple holding structure through which the investor (or their adviser) can direct the insurance company to invest in a wide range of investment vehicles such as stocks, bonds, mutual funds, or cash deposits. The underlying investments can be freely selected.

Specifically, the investor closes a contract in his name with an insurance company, usually domiciled in an offshore tax haven. The insurance company opens an account with a bank selected by the investor, who in turn receives a policy from the insurance company. Legally, the investor is the client of the insurance company and the insurance company is a client of the bank.

The policy value consists precisely of the value of the assets placed there by the insurance company on the investor's behalf and grows as managed.

Legal entities and natural persons can be designated as beneficiaries. With certain annuities and insurance companies, the policyowner may be a legal entity. The person insured, however, must in all cases be a natural person.

Overview of benefits

* **Asset Protection** — Properly structured and established in Switzerland or Liechtenstein, insurance policies enjoy legal protection from creditors. The protection is very strict and even where a foreign judgment or court order expressly decrees the seizure of such policy, or its inclusion in the estate in bankruptcy, such an insurance policy may not be seized in Switzerland or Liechtenstein or included in the estate in bankruptcy, except where it is considered a fraudulent conveyance.

In case of bankruptcy of the owner, protection is also guaranteed since the ownership is transferred to the beneficiaries automatically. Any instructions from the original policy owner, which are forced upon him, can no longer be acted upon.

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doms. Now, it's our turn to take them back. We can win this fight because everyone pays FICA, and everyone knows the system is busted. My organization is positioned to move reform forward. Our methods and tools will work.

I need your help to make this happen. Together, we can reach the "turning point" that will make this reform a reality. I have dedicated my life to this. Please join with me in any way you can. We owe it to those who came before us and advanced human liberty.

Denison Smith is Chairman of "For Our Grandchildren," a project of the Committee For Good Common Sense, a non-profit, tax exempt educational foundation. Tel #: 202-337-4990, e-mail: dsmith@goodcommonsense.org, Box 3539, Washington, D.C. 20007. □

* **Separate and Simple Estate Planning Device** — A Portfolio Bond is also well suited for making distributions separate from the policyowner's estate. Neither power-of-attorney, nor last will nor certificate of inheritance is required for payments to be made upon the owner's death. Beneficiaries get immediate access to the funds according to the payment method chosen by the policyowner.

* **Confidentiality and privacy** — In Liechtenstein, for example, a separate insurance secrecy law protects the privacy of policyowners. With the introduction of U.S. withholding taxes on U.S. assets held in foreign accounts and with the tough reporting requirements for investments made through offshore trusts, offshore insurance vehicles, if correctly structured and from the right jurisdiction, can add strong privacy to your existing investments in a trust or a bank account.

* **Tax advantages** — Unlike many offshore investments and structures, Portfolio Bonds are, in certain jurisdictions, completely free of local taxes. As far as income, capital gains, estate or withholding taxes are concerned, the law of the investor's tax domicile is decisive. In many countries insurance policies enjoy substantial tax benefits if correctly structured, i.e., the Portfolio Bond can be tailor-made to fit the U.S. legal requirements for privileged tax treatment.

Conclusion — Either in combination with offshore or domestic planning structures or alone, a Portfolio Bond is a useful and cost-effective tool to upgrade an existing portfolio of investments. A portfolio's features can be added or improved with regard to asset protection, confidentiality, reporting burden, insurance coverage, and flexibility, reducing costs and taxes, including transfer taxes as wealth passes from one generation to another. Whether they are concerned with taxes or the threat of litigation or are looking to diversify assets globally, with the Portfolio Bond, individuals can address those concerns as well as have access to leading investment managers and to investments otherwise not available to the public.

You can reach Marc-André Sola at NMG International Ltd., Telephone : 011 41 1 266 2141, Fax #: 011 41 1 266 2149, E-mail: marcsola@nmg-ifs.com, Website: www.nmg-ifs.com. □

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cally your choice of New York City or Wilmington, Delaware.

ASI is pleased to announce that you can now place a Perth Mint Certificate in your IRA. You can now protect your IRA assets with precious metals that are stored abroad.

We are working with one of the largest non-deposit taking custodians in the U.S., established in 1984, and has offered precious metals IRA's since 1987.

As the recent horrific terrorist events have shown, the time to act is not during an emergency rather, in advance. The Dollar storm clouds are on the horizon and your IRA needs protection from the coming storm. So using the old Boy Scout motto... "Be prepared!"

For more information about the PMCP, go to our website www.assetstrategies.com. For more information about the IRA custodian that will administer the PMCP in your IRA, call us at 800-831-0007.

At last, you can have precious metals stored abroad in your IRA. □

BITS & PIECES

I'm on my way to San Jose...

by Michael Checkan

Join me in San Jose, Costa Rica for a full day graduate level course about advanced tax planning and investment opportunities for US citizens living, operating businesses, and investing in Costa Rica or Central America. Also, find out how to purchase foreign real estate and overseas precious metals within your IRA.

The confirmed speakers besides myself are internationally known experts Barry Strudwick, Joel Nagel, Heidi Scholz and Ron Jensen. Following the presentations, the speakers will be available for individual private 30-minute consultations at no additional charges.

The date of the event is Saturday, November 7, 2001 from 8:30 a.m. to 2:00 p.m. with private consultations until 5:00 p.m. The location is The Intercontinental Hotel at a cost of \$75.00 per person and \$35.00 for each additional person.

For more information and reservations contact Leslie Berger, 410-727-6444 or email: Symposium@noload.com. □

OOOOPS!

Last month, in *Bits & Pieces*, we mentioned that First Collectors Guild's **Bullion Collection**, of 24-Karat Gold Jewelry, now has a web site. Unfortunately, there was a misprint of the address. The correct web site address is:

www.firstcollectorsguild.com

Along with the launch of the new web site, we have introduced a few, brand new designs to **The Bullion Collection**. Our artisans have let their creative juices flow, and the result is three unique necklace styles: *The Byzantine*, *The Twist Link*, and *The Alternate Link*. There are now 8 different necklaces and 5 distinct bracelets to choose from. This expanded variety should make it easier to find the perfect gift for your loved ones this holiday season. **But don't wait to the last minute. This jewelry is made by hand. Order early to ensure holiday delivery. Look over the enclosed brochure...and CALL US TODAY AT (800) 831-0007!** □

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anticipate every possible threat to your health and your wealth...but, you can still take prudent steps to protect your assets and your future economic well being.

If you have not done so already, we urge you to give thorough consideration to holding a portion of your net worth in non-Dollar denominated assets as well as "core holdings" in precious metals. As we saw last month, this may be extremely difficult to accomplish if you put it off until tragedy strikes. Protect yourself now, and have one less worry if the unimaginable becomes reality. □

Important Notice

The tragedy on September 11th has profoundly affected each and every one of us, and as we try to restore normal patterns to our lives, the pain must be dealt with. To those who will forever be touched by this tragedy, please know that our thoughts and prayers are with you.

Please note that the **Wealth Masters International Financial Seminar; Radisson Cable Beach Resort, scheduled for November 1 - 4, 2001 has been rescheduled to take place November 29th through December 2, 2001**. In the best interest to all concerned it was decided to move the dates to accommodate the needs for those who wish to attend. You will recall receiving an insert in last months IL regarding details on this upcoming event in beautiful Nassau Bahamas. We have secured commitments from our full line up speakers and are looking forward to a dynamic 3 days of exchanging ideas, strategies, and opportunities sharing formulas for success from some of the best financial minds in the business.

Perhaps, now more than ever, is the time to really explore your options when it comes to wealth building, wealth preservation and your overall financial goals. Many of you have already told us you will be joining us in Nassau and we look forward to seeing you. Perhaps some of you had not had the opportunity to review the material or had just not decided one way or the other in light of recent events. Now you have the chance to regroup and make the choice to join us. Best of all we have extended the deadline for you to receive your **\$1,000.00 discount**. (You may recall that anyone that registered by September 22nd received a \$1,000.00 discount off the regular ticket price). **Now just register and make payment by October 22nd and you will still receive the special discount of \$1,000.00**. Hope to see you in Nassau! If you have questions, call us at 800-318-9787, Ext. 1500. □

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Slovakia:

The Koruna (SKK) is fully convertible and free of any restrictions. Being a small country, liquidity is limited, and with forward contracts, investors may run into occasional problems. Currently, USD/SKK trades around 47.50, and, in the coming year, we expect a range between 46.00 and 50.00.

The Czech Republic:

The Czech Koruna (CZK) is also fully convertible with demand and trading volume building. Over the past year, USD/CZK has fluctuated between 37.00 and 42.00. Even an interest rate increase by the Czech Central Bank did not cause CZK to appreciate. Expect the USD/CZK to trade between 35.00 and 40.00 in the coming year.

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