

# Globalize Your Gold:

The Comprehensive Guide to Offshore Precious Metal Acquisition, Storage, and Reporting



Undoubtedly, a lot of people are waking up to the idea that everything they've been brought up to believe about economics is completely wrong.

- The United States government is 'risk free'.
- America always pays its debts.
- Banks are conservative.
- The European Union has created a strong, unified economy.
- Real estate always goes up in value.

It turns out that all this stuff we took for granted for so long is all a house of cards.

Entire governments and banking systems are completely insolvent. They limp along from day to day through clever accounting tricks, confiscation, and conjuring money out of thin air.

It's no wonder why precious metals and international diversification are just now starting to become so popular.

This is how I live my life. I'm a permanent traveler—I spend my days traveling to between 30-60 countries each year. My entire life is one of international diversification, and I have substantial, hardcore experience with things like gold purchases overseas, moving gold abroad, and the best places to store them.

I decided to put this report together because I'm tired of all the misinformation out there. Every time I turn around there's another website staffed by armchair expats giving out advice for international diversification. Most have no clue what they're talking about, let alone any experience with the matter.

I wanted to make sure that a comprehensive, accurate report was made available. The right information can be a lifesaver. The wrong information can lead to a disaster.

If you don't believe me, just ask my friend Tom who ended up in Mexican prison because he didn't follow the right procedure to move gold abroad.

These issues are anything BUT simple, especially for US citizens. Reporting obligations, transport rules, tax consequences... there are really a number of things to think about. This report is designed to give you a solid understanding of everything you need to know about international diversification for gold.

Remember, things do change. All the information you'll find in this report is accurate as of this publishing date. So check back from time to time to see if we have any updates.



Simon Black

# 1. Why Own Gold?

Real financial privacy no longer exists in the conventional banking sector, at least not in developed countries. The OECD ensures that nosy, possessive governments have unfettered access to financial transactions, including wire transfers, bank deposits, credit card charges, etc. Some governments even want to ban cash transactions over a certain amount.

In terms of privacy, digital currencies (i.e. Bitcoin) have potential, although collectively they're still in the infancy stage.

Precious metals, on the other hand, are grounded in tradition and **serve as a sound centerpiece to an international diversification plan.**

## MITIGATE SOVEREIGN RISK

A main reason to accumulate gold as a savings instrument is to mitigate sovereign risk - the risk that governments and central banks will confiscate wealth by devaluing currencies and running mind-boggling deficits.

In addition, I've long believed that exchange controls will, at some point, return to the developed world; a look at the financial chaos that is the United States and Western Europe today, I just can't believe it's too far off.

Even so, most people will be too broke, too ignorant, and/or too distracted to care. Instead, their savings - if any - will be held hostage in a bankrupt and insolvent nation that offers nothing but dour financial prospects, and in a currency that further decays by the day.

Of course, opening a foreign bank account, and holding foreign currency, certainly serves as one approach. Yet, gold presents an appealing alternative. Why? Because gold effectively exists *outside* the financial system. It is the anti-currency, something that is accepted as a store of value but doesn't depend on the whims of a central banker.

## FORGET SPECULATION

Gold prices have risen for ten years in a row. They've risen seven-fold over that same timespan. Owning gold is about much more than "speculation"; gold is indeed a savings instrument - store of wealth. As confidence in fiat currencies the world over continues to fade, gold serves as one of the few viable wealth storage alternatives available today. In truth, gold has become the "anti-currency." In time, it may soon again become a medium of exchange.

## PHYSICAL GOLD IS REAL & LIQUID

Remember, physical gold is just that: it's a tangible, durable commodity, not simply some worthless paper backed by a hollow IOU. As such, it's liquid, meaning you can easily sell it off when in need.

## 2. Why Store Overseas?

So, you now have some gold. You bought a few Canadian Maple Leaf coins or American Eagles, and you're feeling pretty good about your savings. But after some thought, you ask yourself, "What do I do with these now that I have them?"

Sure, you can probably drop them in a safe then bury that safe in your backyard. But internationalization may be a better solution. Now, more than ever, moving some money out of your home country makes sense; if you keep all your wealth within one nation, particularly the nation in which you reside, you're at the utter mercy of that nation's exchange controls, tax confiscation, frivolous litigation, and bureaucratic extortion.

### Why overseas?

#### GOLD CONFISCATION

Most Americans are unaware of this, but in the 1930s, by way of Executive Order 6102, President Franklin D. Roosevelt actually *outlawed* gold ownership. The Order forbade "...the hoarding of gold coin, gold bullion, and gold certificates **within the continental United States.**"

Once the Order had been enacted, owning gold became a federal crime, punishable by ten years in federal prison and a \$10,000 fine; no individual, partnership, association, organization, or corporation could possess monetary gold, in any form, for any reason. The Order commanded all U.S. citizens to, at once, relinquish the gold they rightfully owned to the U.S. government.

Citizens were then given paper dollars for their gold, at a price of \$20.67 per ounce. When all gold was collected, FDR immediately devalued the dollar by reissuing the price of gold at \$35 an ounce. In other words, U.S. residents that turned in their gold lost almost 50% of that savings value overnight!

Don't think this scenario could happen? In the 1930s, neither did they.



## LITIGATION

When you store gold overseas—especially if you store it anonymously in a place like Austria—it’s virtually impossible to lose that gold to any frivolous lawsuit back home. First of all, courts in your home government don’t have jurisdiction in places like Austria, Hong Kong, and Singapore; these nations have their own laws, courts, and financial rules.

Secondly, even if these nations did fall under your home government’s authority, it’s pretty hard for any court to seize an asset it can’t find—that it doesn’t know *exists*.

## SOCIAL UNREST

Let’s think worst case-- Should the currency collapse in your home country...and should a bank run ensue...and should the government mandate that all banks then close for no less than a week...and should subsequent food shortages take place...and should no clean water be available...and should the electricity and heat not work... and should violent protests, riots, and widespread looting erupt...

If all hell breaks loose, what are *you* going to do?

Not possible?

Listen, in the past year alone, we’ve seen social unrest around the globe; it’s resulted in measures like closing banks, shutting down the Internet, and blocking food and water distribution routes, as well as destructive looting, violent riots, barbaric police actions, and thousands of deaths.

Furthermore, history is littered with oppressive regimes that took hold as **a result of economic duress**. Germany’s Adolph Hitler. The Dominican Republic’s Rafael Trujillo. Cambodia’s Pol Pot. The list goes on and on. These men, given power because they offered “solutions” to the economic woes of the day, eventually exterminated *millions*.

And for anyone paying attention, this isn’t just a TV show anymore; this isn’t simply some textbook history lesson. Places like the United States and Western European nations are now the most economically unstable on the planet.

But if all hell breaks loose, and you have an escape plan, such as an apartment abroad, an offshore bank account, **and some gold stored in an overseas vault...**

Well... you’ll be in a much better position.

## IN CONCLUSION

Storing your gold overseas is an **insurance policy** against government meddling, wealth confiscation, frivolous litigation, and domestic social unrest.

## 3. Moving Your Gold

As we stated in the previous chapter, storing your gold overseas is an **insurance policy** against government meddling, wealth confiscation, frivolous litigation, and domestic social unrest. Like we always say here at Sovereign Man: international diversification is critical!

Yet, if you want to transport gold from one nation to another, there are several things to keep in mind: predominately, what are the departing nation's regulations for doing such, and what are the arriving nation's regulations for doing such?

### LEAVING WITH YOUR GOLD

When you hold cash, either in a bank or in token amounts of a few thousand dollars, transactions are reported to the government. Banks, brokers, real estate agents, car salesmen, etc. are essentially unpaid government agents, forced to report their customers' financial activities.

In the United States, law requires that an individual must report if he/she is leaving the country with more than \$10,000 in monetary instruments. What's considered a monetary instrument? Domestic and foreign currency, traveler's checks in any form, money orders, negotiable instruments, stock certificates, or any investment securities in bearer form.

As of the time of this writing (November 2011), if you leave (or enter) the United States with more than \$10,000 in monetary instruments, you must fill out form FinCen 105, which you can ask for upon departure (or arrival).

Gold bars and bullion are *not* included on this list—at least not yet. Some coins have legal tender face value. For example, the one-ounce American Eagle coins have a face value of \$50. Therefore, 200 Eagle coins would meet the \$10,000 threshold, not including any cash currency or other monetary instruments you may be carrying.

Of course, it's not illegal to depart the country with more than \$10,000; you simply have to declare the money. So if you're nervous or in doubt about leaving the country with your gold, just ask for the FinCen 105 form.

In Canada, the rules are essentially the same. As of the time of this writing, entering or leaving the country with more than C\$10,000 or foreign equivalent in monetary instruments must be declared to Canada Border Services Agency (CBSA) on form E667.

*Note: If you choose to transport gold yourself, I advise caution, especially if you're moving it from the United States. U.S. regulations tend to be most onerous, and it's quite an unfortunate position. The sheer volume of regulations has made the United States a nation of criminals—every single person residing in the U.S. at present is guilty of violating some obscure regulation or arcane rule.*

*And it might not even be a law, but rather the mere interpretation of a law by an executive agency. Not to mention there's very little clarity among these regulations, as well as a great many conflicts and discrepancies among groups of regulations.*

*Just keep that in mind.*

## TRANSPORTING YOUR GOLD

Perhaps you, for whatever reason, are leery about personally carrying your gold to another nation. An easy solution awaits: hire a professional to do it for you! Why? Because national regulations are subject to change, and **it's always best to outsource compliance** to someone that moves gold for a living.

And the best I know is ViaMat. The “gold standard” in... well... gold transportation, ViaMat does precious metals logistics better than anyone I've run across. (As you'll notice in the next chapter, several gold storage firms have outsourced *their* business to ViaMat.)

The company generally works with large institutions and mining companies. We've managed to work a major discount for *Sovereign Man: Confidential* members, so if you're not a member yet, I really want to encourage you to join.

Learn more about Sovereign Man: Confidential [here](#)

ViaMat has requested that we don't publish exact price quotes for their services. (Being in the precious metals industry and located in Switzerland, they want these matters kept private, and we respect that stance.) But I'll offer you a hypothetical example:

Let's say you want to ship from the East Coast of the United States to their vault in Zurich. To do so, ViaMat's discounted fee to SMC members would be somewhere between \$2300 and \$3300, flat, depending on how much you wanted to ship.

ViaMat handles everything—customs, security, insurance, door-to-door transport, etc. They'll need you to provide:

- Shipping instructions, in writing (what to ship, from where, to where, details of the shipment, values, payment details.
- Driver's license
- Social security number (if you're a U.S. citizen)
- A completed commercial invoice form (they'll supply this to you)
- Signed form indicating that you agree to their terms and conditions (they'll supply T&C)



## A Special Note About Transporting Gold

As I mentioned, the Financial Crimes Enforcement Network (FinCEN) requires a traveler to file form FinCEN 105 if that traveler physically transports or mails “monetary instruments” outside U.S. borders, and if the total value of such instrument exceeds \$10,000. This form is required by CFR (Code of Federal Regulations) Title 31 Chapter X, and there are both civil and criminal penalties for not filing, or filing a false report.

FinCEN doesn't consider precious metals to be a monetary instrument. Rather, FinCEN defines monetary instrument to include any nation's coin or currency, traveler's cheques, negotiable instruments (like an endorsed or blank check), and securities in bearer form. No mention of gold or silver.

Enter the US Census Bureau.

Right, I know, what does the Census Bureau have to do with transporting gold? Aren't those the guys that bug me every ten years?

As it turns out, the Census Bureau has a Foreign Trade Division. This division has a hand in regulating whatever they may consider exports. And deep in the Foreign Trade regulations, title 15 CFR Part 30, is a requirement to report the export of any single commodity from the United States that exceeds \$2500 through something called the Automated Export System (AES).

AES uses an Internet-based reporting system (AESDirect), replacing the old paper form called a Shippers' Export Declaration (SED). Furthermore, the regulations exact stiff civil and criminal penalties for failing to file, or fraudulently filing an AES report.

Now, I know what you're saying to yourself: “I'm not exporting anything; I'm just taking my gold overseas!”

The regulation itself is quite confusing. It contradicts itself numerous times, and there are a number of exceptions that certainly seem to apply to taking gold out of the country in a carry-on bag, without having to file a declaration.

In the eyes of the Census Bureau, though, **just about everything is considered an export.**

My team and I spoke with representatives from the Census Bureau personally, and precious metals taken abroad do need to be reported in AESDirect using the Export Information Code “DD” and Schedule B number 7108.20.0000.

You can reach them yourself at 1-800-549-0595.

### THE “CHEAT” METHOD

If you have coins and/or bars that you'd like to move out of the country but don't want to deal with any logistics hassles, there's a firm in Texas that can help. First off, you'll need a GoldMoney account. Once you have that, the company, Dillon Gage, will receive your

gold, assess its market value, and credit your GoldMoney account with an equal amount of bullion.

IRS revenue ruling 82-96 indicates that trading investment grade gold coins (your property) for investment grade gold bullion (bars in GoldMoney's vaults) is a "like kind exchange." This means that, according to Internal Revenue Code section 1031, there's no taxable event created.

In this capacity, you could conduct a tax-free exchange of your existing investment-grade gold for its equivalent in GoldMoney's vault, using Dillon Gage as an intermediary.

*Note: Always consult your tax advisor first to ensure you don't trigger any tax consequences.*

### **Example:**

- You have forty-five ounces of gold U.S. eagle coins.
- You want to move them offshore.
- You ship them to Dillon Gage.
- Dillon Gage assesses their value.
- Dillon Gage credits your GoldMoney account for that value.

Since GoldMoney's vaults are overseas, your gold has been effectively transferred offshore.

As always, you should contact your tax advisor about this before taking these steps to get his/her final clearance.

### **THE EASIEST WAY TO DO IT**

You may want to consider simply selling your gold at home, wiring the money overseas, traveling abroad, and buying it there. If you're a U.S. taxpayer worried about capital gains tax, you may be eligible for an IRC section 1031 "like kind exchange." Again, make sure you consult your tax advisor for details.

### **HOW NOT TO MOVE GOLD**

- 1.) Never send gold anywhere through the U.S. Postal System. This should be self-explanatory. After all, would you trust any other [quasi] government agency with your money? Enough said.
- 2.) Never move your gold by yourself without knowing the regulations of each and every country your gold is scheduled to pass through.
- 3.) Don't take one-stop or two-stop flights unless absolutely necessary. Same goes for car,

train, and boat travel. Always take a direct route whenever possible. By this I mean, if you're hauling Canadian Maple Leaf coins from Toronto to Santiago, don't stop in Colombia first. Find a direct route, if at all possible.

## True story:

In 2010, our friend and subscriber Tom M (a US citizen) planned to take 150 gold coins—a mix of bullion from the U.S. and South Africa—from the United States to Panama, where he would store them.

One problem.

Tom stopped in Mexico along the way. And while those 150 coins added up to a face value of \$7500 and caused him no hassle exiting the U.S. (or entering Panama), Mexico has a different policy. And when Tom could only provide declaration receipts for 51 of the 150 coins, his gold was seized and he was thrown in jail.

Eventually, Tom was released from jail and his gold given back, but not without days of anxiety and great effort and lobbying on his part.

If planning to move gold yourself, know the regulations of each country it'll pass through. This is a must. To give you an example, TAIWAN requires that gold in excess of \$20,000 (USD) in **market value** needs to be declared.



## 4. Where to Store Your Gold

There are various methods by which you can store your gold overseas. Each method caters to an individual with different needs, as each offers a different level of anonymity, and security, and ease-of-use.

This section profiles, in depth, four such methods.

### 1.) PAPER GOLD HELD OVERSEAS

#### **Perth Mint Certificate Program**

<http://perthmint.com.au>

Originally established in 1899 as the British Royal Mint's Perth branch, Australia's Gold Corporation, a government organization, took over the "Perth Mint" operations in 1987. Perth offers allocated, individually-registered and segregated storage, and they issue certificates as evidence of this. To open an account, you must go through an authorized dealer, which can be found on the mint's website.

**Founded:** 1987

**Corporate Jurisdiction:** Australia

**Security:** Perth Mint's own secure facility

**Insurance:** Guaranteed by the government of Australia

**Audit:** Auditor General of Western Australia

**Account Structure:** Individual, Corporate, Trust

**Account Opening Fees:** None

**Storage Fees:** 1.0% for gold, 1.9% for silver

**Premiums:** They range from \$35 flat to 5%, depending on the product, plus brokerage fees of up to 3%, depending on the "authorized dealer" you choose.

**Taking Physical Possession:** Yes, you can take possession at the mint, or they will arrange to have your metal shipped via a third party.

**Minimum Purchase:** A\$5,000, however minimum account opening is A\$10,000

**Local Tax Implications:** Perth Mint's bullion is not subject to Australia's GST (equivalent to sales tax/VAT), nor is Perth Mint required to withhold capital gains on its bullion.

**Advantage:** Perth Mint issues certificates directly to customers, so there's clear evidence of ownership at all times.

**Key Risks:** Like the Royal Canadian Mint, this is a government entity and will be the first to implement cumbersome anti-money laundering regulations.

For US citizens, Perth Mint observes U.S. “Model State Commodity Code” and thus will not do business with residents from Arizona, California, Colorado, Georgia, Idaho, Indiana, Iowa, Maine, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Mexico, North Carolina, North Dakota, Oregon, Utah, or Washington.

**Good For:** People who want the peace of mind that they have individually-registered gold, as well as a warehouse receipt with their name on it.

## 2.) BANKS’ AND PRIVATE COMPANIES’ UNALLOCATED PAPER GOLD HELD OVERSEAS

### HSBC Hong Kong

Many banks, particularly in Asia, let you denominate your account in a variety of currencies, including gold and silver. HSBC Hong Kong is one such bank—you can transfer money from U.S. dollars to gold with just a few mouse clicks.

Now, even though the account shows a balance in ounces (or “taels,” a Chinese unit of measurement that’s fixed to 38 grams), there’s no gold allocated specifically for you. As a depositor, you have a ‘claim’ on the gold... But for accounting purposes, the gold is listed as an asset on the bank’s balance sheet, and its obligation to you listed as a liability.

**Founded:** 1865

**Corporate Jurisdiction:** Hong Kong

**Security:** Secure bank vault, Hong Kong

**Account Structure:** Individual, Corporate, Trust

**Storage Fees:** None

**Premiums:** Generally around HKD 12.50, or \$1.60 USD

**Minimum Purchase:** 0.1 Tael, currently around \$225 USD

**Advantage:** With an account like HSBC’s gold passbook, you have ultimate flexibility, as you are plugged into the banking system; you’re free to transfer money in whenever you need, and the funds are accessible in your bank account instantly.

**Key Risks:** With this unallocated model, the gold in custody is legally the bank’s asset, not yours; they have a liability to pay you on the value of the gold, but ultimately it’s *their* gold. The gold passbook account is a proxy on the appreciation of the gold price within the banking system, not actual ownership of gold.

**Good For:** People that want to make easy bets on the gold price but be able to liquidate instantly and fund their bank accounts, all within a strong, stable Asian banking system.

**Gold Money**

[www.goldmoney.com](http://www.goldmoney.com)

GoldMoney is one of the most recognized names in the business; the firm holds more than two billion dollars in its vaults and has 20,000 customers around the world. GoldMoney maintains a regularly audited 1:1 ratio between the gold in its vaults and the value of its customers' accounts.

Here's the rub, though: GoldMoney holds its gold in 400-ounce bars. If your holdings with GoldMoney are large enough, you could purchase an entire bar for yourself and have it registered in your name and your name alone. But in most cases, you simply own a fraction of a bar shared by other customers.

**Founded:** 2001

**Corporate Jurisdiction:** Channel Islands

**Security:** Storage outsourced to VIAMAT secure vaults in London, Zurich, Hong Kong

**Insurance:** Yes, insured by VIAMAT

**Audit:** Daily vault reports plus multiple monthly/quarterly vault and inventory reports from Big 4 firms

**Account Structure:** Individual, Corporate, Trust

**Storage Fees:** 0.18% annually for < 50,000 grams, 0.15% > 50,000 grams

**Premiums:** sliding scale, 0.98% to 2.49% over spot (1.99% to 3.99% for silver)



**Taking Physical Possession:** Yes. Bars can be shipped to the U.S., Canada, and Western Europe, in 100-gram or one-kilogram denominations for gold, at a fee of 4% or 2.75% respectively.

**Minimum Purchase:** None, except for a \$500,000 initial minimum for trust accounts.

**Advantage:** It's easy to establish an individual account and get started immediately. And in addition to precious metals, GoldMoney can also hold currencies, including the U.S. dollar, euro, pound, Swiss franc, Aussie dollar, Hong Kong dollar, and Canadian dollar.

**Key risks:**

(1) As a big player, GoldMoney is definitely on the government radar and may come under a smear attack (as happened to Kitco recently).

- (2) Unregistered storage makes it a more difficult process to obtain your gold in the event that GoldMoney goes out of business; the gold would have to be melted down first before being allocated to customers.
- (3) Because it's semi-plugged into the banking system, GoldMoney has little privacy; GoldMoney's own privacy policy indicates that it'll turn over customers' confidential information if compelled by law or regulation, whether in its home jurisdiction or "elsewhere."
- (4) U.S. and German citizens cannot transfer among the various currencies that GoldMoney offers; if you have euros in your account and want to switch to Swiss francs, you have to buy gold first in euros, then sell gold in francs. The commissions will kill you.

Good For: People who want an easy way to start accumulating gold with a minimum purchase.

*Note: As of September 2011, GoldMoney.com is no longer an option for those living in the Netherlands, as the Dutch regulators have outlawed GoldMoney as it pertains to Dutch residents.*

## **BullionVault**

[www.bullionvault.com](http://www.bullionvault.com)

Similar in size to GoldMoney—with over a billion dollars of gold stored for 25,000 clients—BullionVault is also a long-time industry operator, one that focuses on the price advantage.

Like GoldMoney, BullionVault has shared ownership of 400-ounce gold bars, as opposed to individually registered, segregated coins and bars.

**Founded:** 2003

**Corporate Jurisdiction:** Great Britain

**Security:** ViaMat London, Zurich, New York; customer gets to pick from the three.

**Insurance:** Yes, through Marsh/Lloyd's/ViaMat

**Audit:** Daily audits prepared by ViaMat, annual audits by Albert Goodman (UK firm)

**Account Structure:** Individual, Corporate, Trust

**Account Opening Fees:** None

**Storage Fees:** 0.12% per year with a \$48 minimum

**Premiums:** Gold premiums run about 0.2% over spot, silver 1%. Above the premium, Bullion Vault's commission rate starts at 0.80%, declining to as little as 0.02% if you purchase more than \$600,000 worth of gold and/or silver annually.

**Taking Physical Possession:** Yes, this is possible, though BullionVault is not designed for this. Fees start as high as 7.5%, and the security verification is quite strict prior to shipment.

**Minimum Purchase:** None

**Local Tax Implications:** None

**Advantage:** Low fees

**Key Risks:**

(1) BullionVault is a UK company and subject to its laws and courts; this isn't exactly the freest society on the planet.

(2) BullionVault's trading system can be a bit difficult to understand at first, especially compared to GoldMoney.

**Good For:** The same type of person that would open a GoldMoney account; BullionVault has much lower pricing, but it's not the best solution if you expect to take physical possession.

### 3.) ROYAL CANADIAN MINT PRESTIGE ACCOUNT

<https://rcmpa.mint.ca/Howto.aspx>

The Royal Canadian Mint is a for-profit corporation owned by the Canadian government. It offers pooled, unallocated storage at its secure Ottawa facility. In order to take part, you must sign up through an authorized RCMPA dealer. At the time of this writing, RCMPA is just coming out of its pilot phase.

The chief advantage of the RCMPA is pricing; RCMPA only charges a single annual administrative fee, regardless of your account's value. The chief disadvantage is obvious: you're dealing with a government agency; it's also not clear, under the revised program guidelines, which foreign nationalities RCMPA will be accepting as new customers.

### Global Gold

[www.globalgold.ch](http://www.globalgold.ch)

Global Gold's a relatively new firm that was founded on the premise that individuals and institutions should have allocated gold registered to them specifically, and stored in a secure, offshore location. Unlike GoldMoney and BullionVault, Global Gold customers own their entire holdings, registered and segregated from other customers.

For instance, you can choose whether you want to buy a one-kilo bar, or a one-ounce Maple Leaf. Whatever your choice, that product will belong to *you*, be registered to *you*, and be segregated from all others—that specific coin **belongs to you and you alone**. There's no "shared ownership" with Global Gold.

Furthermore, one of Global Gold's main distinctions is that it'll ship metal to its customers anywhere in the world, at any time.

**Founded:** 2009

**Corporate Jurisdiction:** Switzerland

**Security:** ViaMat, Zurich

**Insurance:** Yes, through Marsh/Lloyd's/ViaMat

**Audit:** Annual audit report by Ernst & Young

**Account Structure:** Individual, Corporate, Trust

**Account Opening Fees:** None

**Storage Fees:** 0.4% to 0.7% for gold, 0.8% to 1.4% for silver

**Premiums:** Brokerage fee of up to 3% on purchase (and 1.5% on sale) above and beyond the specific product price. Products are sold at institutional prices starting at 0.8% above spot.

**Taking Physical Possession:** Yes, this is the key feature of Global Gold: they guarantee to ship your metal to you anytime, anywhere.

**Minimum Purchase:** CHF 50,000 (about \$56K) initially, CHF 20,000 (\$22,500) afterwards

**US Reporting Requirement:** FATCA

**Advantage:** Excellent choice for those who may wish to take physical possession, as well as for people wanting to use their Open Opportunity IRA to purchase and store gold. Furthermore, Global Gold accepts existing gold holdings for deposit on a case-by-case basis.

**Local Tax Implications:** VAT may apply when taking physical possession.

**Key Risks:** Global Gold provides inventory records to its customers but, for privacy reasons, doesn't have a mechanism to provide customer details to ViaMat. This means that an extra step would be necessary for customers to obtain their gold from ViaMat should Global Gold ever go bankrupt.

**Good For:** Higher net worth individuals that are willing to pay a higher storage fee in exchange for the security of knowing that their gold is 100% allocated and individually registered. Global Gold is akin to having an overseas agent buy individual gold coins and bars on your behalf, then storing it in their secure vault. If you're thinking about renting your own box overseas, Global Gold's fees may be much lower than the combined travel costs, box rental, and insurance of doing it yourself.

## Kitco

One of the most well-known precious metals services companies in existence is Canada's Kitco. The firm offers unallocated 'pooled' accounts, similar to the HSBC option I described above. As of the time of this writing, Kitco is embroiled in serious allegations with the government of Quebec that potentially threaten the company's balance sheet.

As the pooled accounts hold gold as an asset on the company's balance sheet (with the depositor's claim as a liability), it's possible that, in a worst case scenario, the gold would be liquidated to satisfy a higher claim. For this reason, we suggest considering alternative depositories at this time.

## Further Distinction & Comparison

To further underscore the distinction and comparative advantage between these various options:

- With Gold Money and Bullion Vault, you'd own a piece of a 400-ounce bar. Both are semi-plugged in to the banking system, though, making it easy to liquidate your gold and quickly convert back to cash in your bank account. These are both good options for people just starting out, without much money to invest in metals. The main distinction between the two is pricing, web interface, and deliverability options.
- Global Gold has the best capability to deliver your gold to you anytime, anywhere, and you can be sure that the gold in storage is individually-registered to your account, not shared with anyone else.
- Perth Mint Certificates give you the solace of having an actual warehouse receipt in hand, with your name on it, albeit one controlled by the government of Western Australia.

## Comparison Chart

	Perth	HSBC	GM	BV	GG
<b>Security</b>	Own	Vault	ViaMat	ViaMat	ViaMat
<b>Insurance</b>	Yes	-	Yes	Yes	Yes
<b>Fee to open</b>	None	None	GBP 500	None	None
<b>Storage</b>	1.0%	None	0.15-0.18%	0.12%	0.4-0.7%
<b>Premium</b>	\$35/5%	HK 12.50	<2.49%/spot	0.2%/spot	<3%/net
<b>Min. Buy</b>	A\$5K	0.1 Tael	None	None	CHF 50K
<b>Local Tax</b>	None	-	-	None	VAT

#### 4.) OVERSEAS BANK SAFETY DEPOSIT BOXES

When people think “valuables storage,” they think bank safe deposit boxes; the notion of your most worthy and valuable items locked away in some shiny, armor-plated, bulletproof vault is a bit romantic.

Ironically, though, this is exactly how banking first began: bankers were the safe-keepers of people’s valuables. In exchange for securing, say, a customer’s gold, the customer would pay the banker a fee. This is how safe deposit boxes work today.

In this section, we cover the jurisdictions we like best for storing gold in bank safe deposit boxes. It should be noted, however, that although we like Singapore and Panama as gold storage options, they’ve been omitted from this section. Why? Because while Singapore and Panama are solid locations for storing gold via private vault, the former has a long waiting list for bank safe deposit boxes, while the latter is doing away with bank storage of precious metals altogether.

##### **Austria**

###### Why Austria?

Austria has a long, well-tested tradition of privacy. The country is amongst the most civilized in the world—free of corruption, with a modern infrastructure. Banking privacy is safeguarded with the same legal authority as its constitution, so the country would certainly be among the last in Europe to begin mass confiscation.

###### Bank Austria

Austria is a great place for anonymous vault storage. If, on the other hand, you don’t care about anonymity, Austrian *banks* will be happy to rent you a safety deposit box, regardless of your nationality. They do require a photo ID, but the costs start at 65 euro (\$90) per year for a small box.

Bank Austria ([www.bankaustria.at](http://www.bankaustria.at)) is a great place to get started.

##### **Bulgaria**

###### Why Bulgaria?

Seriously...why Bulgaria? Do they even have running water? Is it safe? Is there electricity?

I jest, but these are the types of questions I often get when I tell people I’m traveling to certain places—places like Bulgaria, Colombia, Cambodia, and Angola, just to name a few.

And because much of the world perceives countries like these in such a derogatory way—to be so primitive and uncouth—these are precisely the places I want to be.

Ten years ago, people would’ve thought you crazy to invest in Russia, China, Brazil, or India.

Today, you can't watch an hour of CNBC without hearing about the BRIC nations and their prosperity.

I believe that Bulgaria, in particular, has a bright, long-term future. Labor costs are cheap, and its flat-tax rates—both personal and corporate—are amongst the lowest in Europe.

## Raiffeisen Bank

Multinational banks have opened branches in Bulgaria; I would suggest Raiffeisen Bank, which has four branches in Sofia with safety deposit boxes.

For more information, visit <http://www.rb.cz/en/>

## UAE

### Why the United Arab Emirates?

Before the emirates were united, merchants in the tiny settlement of Dubai traded gold with Indians and Persians across the gulf. The emirate's gold tradition is woven in its culture's fabric; known as the "City of Gold," Dubai is still famous today for its bustling gold souk, where more than ten tons of gold is present at any given time.

Moreover, the country's currency, the dirham, is pegged to the U.S. dollar—so locals can see their purchasing power evaporate in step with Americans'. Consequently, in order to maintain the purchasing power of their savings, Emiratis have been longtime precious metals investors.

### Abu Dhabi Islamic Bank

Abu Dhabi Islamic Bank (ADIB), one of the largest banks in the Middle East, rents safety deposit boxes to foreigners, including Americans, starting at 350 dirham (about \$95) per year. You need a passport to rent a box.

For more information, visit <http://www.adib.ae>

## Hong Kong

### Why Hong Kong?

Thriving economy. Little regulation. Low tax rates. Secure banks. Advantageous incorporation.

By many accounts, Hong Kong is still the economically-freest place on the globe. And, should any annoying foreign authorities come knocking at its door, this city-state and special administration region (SAR) can hide behind the emerging power of its big brother, Mainland China.

### Nanyang Commercial Bank

There are several banks that rent safety deposit boxes to foreigners with little hassle, but their inventory of available boxes is always fluctuating. I've worked with NCB Bank before and have been happy. But your best bet is to call in advance.

[http://www.ncb.com.hk/nanyang\\_bank/eng/content1.html](http://www.ncb.com.hk/nanyang_bank/eng/content1.html)

## 5.) OVERSEAS PRIVATE VAULT STORAGE

While banks in Hong Kong and Singapore are far more stable and reliable than insolvent puppet banks of the West, I've always preferred private storage facilities; they're typically unregulated, and they don't fall under the oversight of various government inspection agencies.

Hence, listed below you'll find our picks for the best private storage options in the world today.

### Austria

#### Das Safe

Vienna is home to a fantastic facility called Das Safe, located at Auerspergstrasse 1, near the city center; this is **financial privacy at its finest!**

Das Safe provides anonymous safety deposit boxes starting at 400 euros per year. And in this case, anonymous really means anonymous—all you have is the box key and a PIN code to access the secure room.

DAS Safe resides in a non-descript building—one that formerly housed a bank. The bank itself had a great many customers with anonymous numbered accounts. Then, in the 1990s, Austria changed its banking laws to criminalize numbered bank accounts and anonymous safety deposit boxes. As a result, the bank ended up in a difficult position.

However, rather than dime out its existing clientele, the bank simply packed up, left the building, and sold its safety deposit box business to a private firm; only financial institutions were affected by the law, not private enterprises. Therefore, DAS Safe—who purchased the boxes—reconfigured the space for its exclusive storage needs.

To be honest, you'll feel a little bit like Jason Bourne when you walk into the place; the facility is lock-down secure and monitored



at all times, though video surveillance is not recorded, so you need not worry about your privacy. Literally, two tons of concrete encase a single room. There's also a security staff, motion sensors, vibration detectors, a fire suppression system, radiation detectors, a response system...

While nothing's impossible to penetrate, if thieves want the gold in DAS Safe, they'll essentially have to *take the whole building*.

I've done business with Das Safe in the past and find their level of service and professionalism to be spectacular; if you want to move your bullion offshore and make sure that no one knows about it, Das Safe is for you.

For more information, visit <http://dassafe.com>

## Van Goethem

Another option in Austria is Van Goethem. The reason this might be a viable option for you is because it's off the radar. You can learn more about them here: [www.vg-edelmetalle.com](http://www.vg-edelmetalle.com)

## UAE

### JFT Lockers

Dubai boasts a private storage facility called JFT Lockers, located between the BNP Paribas Bank building and NBAD Bank. Like Das Safe in Vienna, JFT lockers exists outside the banking system. The facility has a dedicated private viewing room and is located in Dubai, which, let's face it, basically has *zero* crime.

Their hours are a bit strange; they're open 9:00 am to 1:00 pm, and from 5:00 pm to 9:00 pm, yet they're closed on Friday (which is the holy day in the Muslim world).

To rent a box at JFT, you'll need a registration form, passport, and a second form of ID. Prices start at about \$150 per year, not including the security deposit.

For more information, visit <http://www.jftlockers.com>

## Singapore

### Why Singapore?

Singapore has one of the most stable, least corrupt and transparent financial systems in the world. It truly is the gold standard for finance, if you'll pardon the pun. The significant drawback of Singapore is that, in many cases, you'll have to declare your gold upon entry and pay a small tax on what you bring into the country.

### Cisco Certis

I've personally been to one of the Cisco Certis facilities in Singapore and can attest to its strong

security. Rates are quite reasonable, and the company runs occasional promotions, like one free year when you refer a friend.

For a “small” box of 5” x 5” x 24”, you may pay as little as \$70 (U.S.) per year. The box will be big enough for more than 2,000 one-ounce Eagle coins, or roughly 150 kilogram bars.

For more information, visit <http://www.certissecurity.com/safedeposit/>

## Hong Kong

### The Storage

One place in Hong Kong that I’ve had a good experience with is a company called The Storage in the Sheung Wan district. Established in 2004, The Storage rents safe deposit boxes as well as private mailboxes.

At the time of this writing, the smallest safe deposit boxes—large enough to store several million dollars worth of gold coins—cost about \$85 USD/year. You can pre-pay two years in advance.

The Storage does not rent boxes anonymously, but you can rent through a corporation. Boxes are located in a secure, bank-style vault with round-the-clock security. Box contents are automatically insured to HKD 100,000 (about \$13,000 USD).

<http://www.thestorage.com.hk/en/index.html>

I’ve received a number of comments from subscribers saying that they contacted The Storage only to be told that box rentals require proof of Hong Kong residency, e.g. a local utility bill, bank statement, etc. This has stopped a lot of folks right at the gate, as they now think it’s impossible for them to rent a box.

As with most things in Hong Kong, there are a number of ways around this regulation. Forming a Hong Kong company (or purchase an existing shelf company) would be the easiest way to obtain an address and apply for a box; this is perfectly acceptable by The Storage’s management.

Not only does this get around the residency requirement, but it also puts an additional layer of protection between you and the assets. If legal ownership of your gold passes to a Hong Kong corporation, stored in a private facility in Hong Kong, it makes it even more difficult for creditors and busy bees to come after you.

Another easy “residency” option is to use a Hong Kong virtual address service, or to open a local bank account, and have your statements forwarded there.

## Panama

### Why Panama?

Panama works well for many people because of its open financial system, pro-business government, and close proximity to North America. If you expect to be coming and going quite a bit, it's easier to be three hours away than thirty hours away. For me, personally, I'd choose another location over Panama—I feel more comfortable with the lower crime and corruption levels in places like UAE, Singapore, and Vienna than those of Panama. But, again, Panama does work for many people.

### Best Safety Boxes

There's a relatively new facility in Panama City called Best Safety Boxes that's determined to bring first-rate precious metals storage to Central America's chief financial center.

Prices are more expensive than most facilities I've mentioned in this report; those start at about \$350/year for a small box, and run to more than \$1000/year for a large box.

You can also rent a box in conjunction with purchasing a Panamanian Corporation; this helps with additional anonymity and estate planning, though you should consult with your tax advisor before doing so.

For more information, go to <http://www.bestsafetyboxes.com/>



## 5. Purchasing Gold

If you're looking to hold gold as a store of value, or even as an exchange medium, major gold coin mintages like the American Eagle, Canadian Maple Leaf, Austrian Philharmonic, and South African Krugerrand are advantageous because they're recognizable worldwide.

With these coins, you can do business at a coin shop anywhere in the world, from Vancouver to Vanuatu; bulk bullion, on the other hand, needs to be weighed and assayed by experts before being traded.

For this reason, the premiums for which gold coins sell tend to rise substantially in crisis periods when demand for physical precious metals is high. In the first days of the 2008 financial crisis, gold premiums shot up from 4% to more than 10%, even though gold prices simultaneously experienced a sharp fall in price.

Nowadays, with gold often hitting all-time highs, world gold coin premiums have remained fairly high; this is one thing we typically survey here at Sovereign Man, as we constantly travel the globe.

Nonetheless, there *are* bargains to be had in the world today, even with gold premiums. Let's study four jurisdictions we here at Sovereign Man like and recommend.

### HONG KONG

The Chinese, both on the mainland and in Hong Kong, have a cultural proclivity towards gold. Similar to India and the Arab world, the Chinese don't view gold as a barbarous relic; rather, they see it as a more reasonable store of value than paper currency. For this reason, gold ownership is quite common among Chinese, even if just in denominations as small as 2.5 grams.

When in Hong Kong, just make your way to Queen's Road in the Central District. There, you'll find no shortages of banks; they (along with shopping malls) line the streets. And, with this being a "gold-oriented culture," each is ready to sell you a variety of gold bullion, much of it at dirt-cheap premiums.

You can buy gold for as low as 0.2% over spot (practically a rounding error) in Hong Kong. Unfortunately, just about every bank was out of stock during my most recent visit, as I was there during a shopping-oriented celebration—where people like to buy gold in addition to everything else—known as Chung Yeung Festival.

And it isn't like I just got lucky on my visit. Our SMC Asian partner, Tim Staermose, recently returned from Hong Kong to boast of one-ounce Canadian Maple Leafs he found at Hang Seng Bank for just 0.5% above spot.

In addition, the purchase of gold in Hong Kong is not subject to VAT.

Simply put, Hong Kong is a great place to both buy *and* store gold.

## AUSTRIA

Austria, too, is a “gold-oriented culture.” In this sound fiscal environment—where banking secrecy and financial anonymity are still a prerogative—**gold is respected as a secure store of wealth.**

In the previous chapter, we discussed *storing* gold in Austria, one of the safest and most appealing options available in the world today.

But what about *buying* gold in Austria?

While you’re not likely to find many “dirt-cheap bargains” on premiums in Austria, you will find “low premiums” on the Austrian Philharmonic, one of the world’s most prized and beautiful gold coins; you can find this premium at almost any Austrian bank, especially in the capital city. When purchasing gold in Austria, you’ll also find that you do so with two additional benefits: you can buy VAT-free when you purchase a recognizable coin, such as the Philharmonic; and you can buy (and store) with a high level of anonymity.

To gain the anonymity you desire, you’d structure your transaction something like this:

- You open a local bank account at a place like Bank Austria
- You wire the funds to that account
- You fly to Austria
- You withdraw the funds in cash
- You buy gold coins right there at the bank
- You drive to DAS Safe and deposit your gold, anonymously

If you’d like to take the anonymity one step further, or if you’re interested in cheaper silver coins, I’d make the trek to Munich (a scenic 480 kilometer-drive from Vienna). You can purchase gold coins—again, VAT-free, if recognizable coins—or purchase silver; Germany assesses a much lower VAT (7%) on silver coins than does Austria.

From there, you’d return to Vienna and repeat Step Six above.

Austria, like Hong Kong, is both a great place to buy *and* to store gold.

## CHILE

Chile might not be the first country that comes to mind when you think of purchasing gold. Like most things, Chile remains largely off the radar—and we find that to be a *good* thing.

However, Chile does boast a well-developed gold market, although the silver, platinum, and palladium markets are still in their infancy. Chile even has its own gold coin issues. The most prominent of these is the 100-peso coin, which contains 0.5886 ounces of gold. The less common 50-peso coin contains .2943 ounces of gold. Both issues can be found in

Santiago's chic Providencia barrio, amidst several numismatic coin stores.

And while gold can be bought in Chilean banks, it's not advisable to do so, as the transaction is subject to a VAT.

In our opinion, the best place to buy gold is at the money exchange houses known as "casas de cambio." Here, the sale is legitimate but informal, meaning they're not required to charge VAT on the transaction. You'll know these shops because many display window signs that read, "Moneda de Oro," Spanish for "gold coin."

At these locations, we've seen gold coins with premiums as low as 1% over spot, to as high as 10% over spot. There's no set figure, and premiums can vary widely from shop to shop based on supply and demand. It's best to check around amongst several shops, and negotiate a deal that suits you.

There are also a few private bullion dealers that deal in foreign issuances like the Canadian Maple Leaf. Premiums are typically 3% to 6% over spot. These dealers don't necessarily have a place of business with fixed office hours; they're private traders, who'll often meet with you at your home, office, or hotel.

## SINGAPORE

Almost every Singapore bank features a precious metals counter. Here, you can buy and sell bullion with ease, in various denominations, ranging from a few grams to ounce coins to kilogram bars.

The downside of buying gold in Singapore is that you have to pay the Goods and Services Tax (GST), which tacks on an additional 7% to the price.

Singapore's banks have figured out a way around this tax; they now offer gold and silver savings account programs, which are similar to GoldMoney.com.

You can also open an account with a bank like UOB and buy/sell unallocated gold at prevailing market prices. (Plus a premium, of course). Your account is thus denominated in "grams" instead of dollars. The transactions, as well as your gains, are not subject to Singapore's GST.

## 6. Numismatic Coins

Numismatics, or rare and collectible coins, are a big part of the precious metals market place. But it takes an expert to best explain all the intricacies involved in any collector's realm. Sovereign Man recently had the opportunity to sit down with Van Simmons of David Hall Rare Coins, a world renowned expert in numismatics, for an exclusive interview detailing the ins and outs of rare coins.

### SMC interviews Van Simmons

*Gold Report for SovereignMan Subscribers*

Numismatic

**Sovereign Man:** What is a numismatic?

**Van:** Van: It's a collectible coin. It's not like a 1 oz gold volume coin, or 1 oz silver coin, it's a collectible coin. I prefer coins prior to 1945, prior to WWII, as collectibles. I am not a big fan of the new coins that are being minted. Companies sell a ton of these, and there is a very large market for them. I'd rather have something older instead of buying something new, and hoping in 40 or 50 years' time that becomes a collectible. I would rather have something that has been collectible for 40-50 years has historical track record already in place.

**SM:** Does the definition differ by congressional code or practical market?

**V:** There are certainly some coins that are struck by the US mint today that you could call numismatic. I've never been a fan of buying something brand new and hoping it would become a collectible. Most collectibles can take 40 to 50 years to build a solid collectors market.

Another thing most people don't realize is most new products, are all saved. They are made as collectibles and they are all being saved. Most older coins simply weren't saved in any large quantities, and in most cases they weren't made as collectibles. These were coins that people spent... to find them in high grades is very difficult, and it makes them more desirable.

It's like if you buy commemorative guns, like Colt, Winchester, [companies who] made these guns that were considered commemoratives. They made them in the 1960's,70's,80's etc. To me they are just like boat anchors, compared to real guns. Older guns were designed to be used. It's the same thing with art prints. An artist does a piece of art, fine. But if they make a million prints of it, who cares about the prints?

**SM:** If it's intended as collectible, is it never considered legal tender?

**V:** They are still legal tender, even old coins that are collectible... let's say you wanted to pay your taxes with a 1910 collectible gold piece. [The IRS] would take it as legal tender, but they would only allow you the \$2.50 or \$10 denomination listed on the coin you want to use, not its numismatic value. They are still considered legal tender.

**SM:** In terms of the range of options on a catalog side, how would you break down what the options are for investors?

**V:** In numismatic coins, the markets split up into 4 or 5 categories. These are 19th century type coins, struck through the late 1700's, all through the 1800's and early 1900's:

19th Century Type coins would include, barber dimes, quarters, and half dollars struck from 1892-1916, 'Cap-Bust' and 'Drape-Bust' half dimes, dimes quarters half dollars and dollars from 1794 to the early 1800s. People use to collect a wide variety of coins, mostly by date, or one of each date, but as the market matured, people moved toward higher quality. They weren't able to buy everything in high quality, so they started buying one example of every variety, or one of each type. This became a very exciting way to collect. There are 10 or more types of quarters, around 15 types of dimes, and so on for each denomination. They soon were known as Type coin collectors. These coins have been one of the cornerstones of the rare coin market for the last 100 years.

Another very popular area is the Silver Dollar market. Silver dollars are typically Morgan dollars and Peace dollars made from 1878-1935. Morgan Dollars were made from 1878-1921, and Peace dollars from 1921-35. They are a very popular area of the rare coin market.

Another area are US gold coins. US gold coins are a major part of the rare coin market, there's about 12 key or widely traded gold coins, beginning with 3 different types of gold dollars. Starting in 1849,(in the beginning years of the California gold rush) there was a Type 1 gold dollar, in 1854 the design changed started making type 2. It was struck from 1854-55. From 1856 to 1889 they coin design was changed again into what I known as the Type 3.

From 1837 to 1908 the US Mint used the new Liberty design for several of the denominations which included the 2 1/2 Dollar \$5, \$10 and \$20. The Mint also designed a \$3 Indian Princess(1854-1889) and a \$4 gold coin with the title of "Stella" (1879-1880). Starting in 1907 the US Mint changed the gold coin designs again to the American Indian design. The Indians were Struck from 1908-1933. The \$20 Liberty was also changed to the Saint Gaudens design.

The Mint started striking gold coins in 1795. These are known as Bust coins. these are very difficult to locate in high grades for a couple of different reasons.

To begin with, not many were minted and very few were saved. The coins were struck with hand presses not hydraulic press's. In 1935 our government lowered the gold content in the coins, so if you had a \$5 gold coin it was worth more than \$5. The majority of the gold coins from 1795 to 1835 hit the melting pot. So today these are all rare coins in all grades.

A good example is we currently have a Capped-Bust \$5 gold piece from 1808. It is in the grade of

MS65 ( a high grade of uncirculated) the current value of that coin is \$179,000. I know it sounds like a ton of money, but during the time this coin was minted they struck using a hand press not a hydraulic press. So the majority of the coins were never well struck, thereby never being able to become high grade. Also, this coin was struck prior to War of 1812, prior to the Civil War. It has survived several major depressions. It is hard to believe a coin such as this has probably been in a collection for over 200 years. Several collectors and investors would rather have one great coin.

As we moved into the 20th century, US government, or rather President Theodore Roosevelt, wanted America to have the most beautiful coins in the world. So the mint designed the Buffalo nickel, the Mercury dime, the Walking Liberty half dollar, Lincoln Penny and the Standing Liberty quarter. These 5 coins are known as 20th Century Modern singles from 1913-1945/1947. These are coins most of us grew up with, and are some of the most beautiful coins ever struck.

The last of the markets I was talking about covers silver and gold commemoratives. The government continues to make commemorative coins today. In fact, the US Mint mailing list is over 60 million people. The area I like the most are the coins struck from 1892 to 1936.[The government] was minting all these products, starting with silver in 1892, and made them all the way to 1954. The general overall market is highly collectible.

Those areas are the meat and potatoes of the coin business. It can break off into different areas... such as you may want to go into early cap-bust gold coins which is a very important area of the rare gold coin market.

And there are the proof gold issues. Proofs were made for collectors with a different set of highly polished dies. A good example is we currently have an 1858 gold dollar in proof. The Mint didn't make proofs on a regular basis until 1858-59. In 1858, the Philadelphia mint struck only 20 gold dollars in proof. There are probably 12 to 15 that exist in all grades today. The proof coin is the caviar of the rare coin market. They are as collectible as coins get.

**SM:** What would that (1858 Gold Dollar Proof) trade for?

**V:** \$49,000. You could buy a proof gold dollar from 1880's for \$12,000 to \$15,000. Most of the years in the 1880's the mint may have struck 100-200 coins, although many were spent and some were melted.

**SM:** Which of those areas are the most liquid?

**V:**All of them. The market changes from time to time, and they are very liquid. If I had someone who had 100 oz of gold for sale, and I had someone on the other line who had \$175,000 worth of rare coins, I would take that call before I take the gold bullion call because I can't find the rare coins. They are extremely liquid.

I have clients who have want lists of when coins become available, and when we find one, we call them and say "here is this coin." I had one client who was doing a list of gold piece proofs from the 1860's and during most of those years, they minted 20-25 coins. It took the guy years, probably 17-18 years, to complete it, but we eventually found all the coins for him.

**SM:** The US mint claims to have about 60 million people on its mailing list.

**V:** Those are people buying brand new products. I would look at a silver commemoratives or a gold commemoratives that were struck back at the 1920s, 30s, or even the teens. That area is very collectible.

Now today you have 50 million people on mailing list of the US Mint. It doesn't take 0.5% or 1.0% of that list to be interested in rare coins; and they would soon find out there isn't enough high grade vintage product for them to buy, at least not at current prices.

**SM:** I'm sure you guys know value or how it correlates with the regular gold market. To my knowledge, with numismatics, are rare coins even valuable as precious metal markets fall? Do numismatics retain value, if not go up?

**V:** The coin market tends to fluctuate with the price of gold. Certainly when the price of gold goes up, my phone rings more. But this gold market is different. From '76-'80, gold went from \$250 to \$800. Rare coins went up 1300% across the board, but that included low grade coins. In '76 we were buying gold dollar MS65 for \$450, selling them for \$500. In 1980, we were buying them for \$10-11,000. I mean, some coins went up twenty times. The really high quality coins went up even more, so if you look at when we put out some of these things that say, "oh the rare coin market did this and this," it's kind of an overall gain. It includes grades and a lot of different types of coin. If you pick the right coins, nice high quality collectible coins, the upside can be pretty strong, but this market has been different because gold has been so strong for 10 years nonstop. All of the attention moves toward gold, and rare coins and the gold mining shares have taken a backseat to it. At some point, people will realize that the money will move to where the best value is.

In 1976 MS65 Morgan dollars were \$60 and silver was \$4. In 1980; silver was \$48 (up by 12x); the MS65 Morgan dollars were only \$80. Silver just flew and the Morgan dollar did absolutely nothing. In 1981, silver came back below \$5, and it sat there for 20 years, the Morgan dollars from 1981-87 went up from \$80 to \$800 during a bear market in silver because the money moved out of silver, into an area that was underpriced and hadn't performed. Those are just common dates, rare dates also went up.

**SM:** Rare coins seem to keep their value as opposed to silver, which has a use as an industrial metal. Demand can change as industrial shifts impact the price of silver. Rare coins always seem to have their underlying currency value; with inflation protection -

**V:** In the past one of the biggest influences on the rare coin market is inflation. Over the last several years, we suffered through a deflationary period – meaning we haven't had inflation yet. The real estate market is our largest employer in the US and it has been tanking for 3 or 4 years. So, we've had this deflationary scenario and coins and most collectibles have taken the back seat, except for really high-end pieces of art, or high-end expensive coins, things that are worth millions of dollars, and have a lot of wealthy people interested in them. You could have 6 people bidding on one coin or piece of art and they could run it to the moon. That Walking Man

statue ran for \$111 million last year (the six foot tall statue sculpted by artist Alberto Giacometti sold for \$104.3 million at a Sotheby's auction in February of 2010) and it was made in 1960... really expensive modern things are selling, where really good value things haven't moved much, except really expensive items.

**SM:** As inflation kicks in do you expect the middle market to pick up?

**V:** Oh yes. The majority of market, and the high end part of the market.

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**SM:** The overreaching arm of the government continues to grow. Could you share some of the reporting obligations your clients have when investing in rare coins?

**V:** There are no reporting requirements by me in regards to rare coins. If a US citizen makes a profit on the sale of a rare coin, it is their responsibility to tell IRS that they made the money. There's no government reporting by me, meaning I am not required fill out a 1099 form if someone sells me back rare coins.

**SM:** That is true on the income side, but there are more and more reporting obligations for Americans to report assets as well. Would those reporting obligations exist for collectibles/ rare coins?

**V:** No, I think most collectibles would be immune from those reporting because it's a small cottage industry, and not in the "financial" space. Most people wouldn't pay any attention. It's a very private position.

**SM:** In terms of rare coin market; it's definitely an international market. What about this situation that may be of interest to SM subscribers? Could they buy a \$200,000 coin, put it in their pocket, then travel to and liquidate or store it in another country? Does this collectible status benefit them by allowing them to travel and diversify assets internationally without burdensome reporting?

**V:** I have had a few people who have done that, purchased coins and left country with them. There are some pretty big numbers, but it's almost just as easy to sell the product and have money wired offshore. It doesn't have to be taken offshore to liquidate them.

**SM:** Are you seeing more of that?

**V:** Yes, quite a bit. You're seeing it because you have people, like one person is a retired 4-star general, taking assets out of country. He's about 85% moved out of country now. I have a retired physician who has moved all her assets out of the country, she took her coins with her.

**SM:** Do you arrange storage?

**V:** Well, there are different places to store in Europe or US. I usually leave it to the client. They are normally pretty private people.

**SM:** So a numismatic coin has steady value against inflation, transports easier, and may be a good way to avoid hassle from border patrol. But what is the number one reason everyone doesn't invest in rare coins?

**V:** They don't understand rare coins, they have no concept of what it is they're dealing with. When you don't know something you're afraid of it.

In 1986 my partner and I came out with grading system. One day at breakfast, we thought, can we buy coins from this dealer, that dealer and feel confident that what they shipped us in the mail would be correctly graded. But sometimes we'd buy coins from other dealers and we weren't happy with the grade and we would have to return them. David said, let's start a company where a group of knowledgeable coin dealers can set a standard for grading on coins. We got a group of 5-6 guys, set a standard, and that's it. Now we have been grading coins for almost 26 years. During that time we have graded over 20 million coins with a declared value of over 20 billion dollars.

We've changed the rare coin market forever.

**SM:** Van, you talk down the grading system as if it was a couple minute conversation, but people should realize that you've literally changed the dynamics for all investors with your grading system. This is a benchmark that's used by your competitors and you have offices globally using your system as a way to present value to investors. And coins aren't the only thing you've really impacted. Similar grading systems are now used in baseball cards and stamps. You have fundamentally shifted how the rare coin market works and invited liquidity due to its transparency. Sorry for a digression, but it's important those who listen to this really gather what you've done.

How difficult is the grading system to understand?

**V:** Anyone from a novice to a serious collector can use it, and they all do. We wanted to make a level playing field for the client. When you get big money coming into a market place, you want to assure what they're paying for is what they're actually getting. By setting up a company up with a buy-back guarantee, we can guarantee grade and everything else.

**SM:** What brought you into rare coins in the first place?

**V:** Why rare coins instead of something else? For me, I like history quite a bit. If you study history, you can invest your money wisely. Take a rare gold coin, a 1907 \$20 High Relief. This was a coin that President Roosevelt sought out and hired the world famous sculptor Augustus Saint Gaudens to design the most beautiful coins in the world. He designed both the \$20 and the \$10 Indian. Both of these coins are some of the most sought after coins on earth. To me they represent the purest form of our American heritage. That's what this country was built on: a real value-based currency. Look at different numismatic coin designs, and you can see where there was a change in policy or something which later became part of history. Coins actually tell the story, plus they're fun and very pretty. I'm a geeky coin nerd. Unfortunately, I have this collector gene, in quite a few things; coins, antique guns, pocket knives, early California watercolor paintings, etc.

**SM:** Rare seems to be your specialty.

**V:** I'm not interested in something that's real common. Rarity will always increase in value and coins have the history and currency tied to it. One day in the mid 1980's I was wondering if

we would ever see inflation again. Like today we were in a very deflationary economy, I asked Milton Friedman if we would ever see inflation again. He told me that you can't bet against 2000 years of governmental policy. They will always ruin whatever currency they control.

**SM:** Can you give us a final note about David Hall Rare Coins?

**V:** We've been in business for 32 years, and David was in business 6 years before that. In the early 1980's we put our focus on high quality coins, in early 1984 we were the first coin dealer to set up a buy back policy on coins we sold. As I said before, we created the coin grading service PCGS. We now have a bit over 1200 authorized dealers worldwide. Most of the market changes I feel have started in our office. We work personally with clients to build their portfolios, build wealth, preserving clients assets to pass from one generation to the next, or structuring a wonderful coin collection.

**SM:** Simple, but well said. For those who are interested in numismatic coins, Van and David Hall Rare Coins are really the premier place to start gathering a portfolio. Van Simmons is available at 800-759-7575 or [van@davidhall.com](mailto:van@davidhall.com) or [www.davidhall.com](http://www.davidhall.com)

**SM:** Up to this point we have been completely objective about service providers. But, when it comes to numismatic coins, we'll have to admit we're completely biased.

The fact is there many people you can buy numismatic coins from. We know of several firms that specialize in this area. However, we cannot recommend any of them more strongly than we can Van Simmons and his firm David Halls rare coins.

Van has been in this space for decades. He has a very long view when it comes to business and his integrity and honesty are absolutely beyond reproach. His contact information is here:

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PO Box 6220,  
Newport Beach, CA 92658  
Tele: (800) 759-7575 / (949) 567-1325  
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## 7. Reporting

US taxpayers bear the brunt of the reporting requirement for offshore assets, and this section focuses on a few of the forms that you may need to file.

First, and most importantly, is form TDF 90-22.1, also known as the FBAR. This foreign bank account disclosure form is primarily used to report foreign financial accounts, such as bank and brokerage accounts. However, in early 2011, the Treasury Department's Financial Crimes Enforcement Division (FinCEN) issued new guidance requiring that gold depository institutions such as gold money be reported as well.

FBAR requires any foreign financial accounts to be declared if they are owned, or beneficially owned by a US taxpayer AND are in excess of \$10,000 at any given time during the year. This \$10,000 requirement is CUMULATIVE across all foreign financial accounts.

The FBAR is a rather simple form which takes about 15-minutes to fill out. You can download it here:

<http://www.irs.gov/pub/irs-pdf/f90221.pdf>

It's due to the Treasury Department by June 30<sup>th</sup> of each year. In other words, if you open a GoldMoney account in 2011, you need to file the FBAR by June 30, 2012.

Perhaps the most challenging reporting requirement comes from the brand new Foreign Account Tax Compliance Act (FATCA). This law created a great deal of speculation about the future of offshore holdings and reporting requirements because Congress was incredibly shy about the details. What constitutes a foreign financial account? Or a foreign financial institution? Or a financial instrument?

None of these key terms are clearly defined.

The IRS recently began circulating a draft form 8938, the "Statement of Foreign Financial Assets" late in 2011. You can download a copy of the draft here:

<http://www.irs.gov/formspubs/article/0,,id=248113,00.html>

Both the Congressional legislation, as well as the IRS form instructions, leave quite a bit to interpretation...which leads me to my cardinal rule of international diversification:

### **WHEN IN DOUBT, REPORT.**

It's that simple. If you're not sure and don't want to cross sabers with the government, report your offshore gold holdings on both TDF 90-22.1 and the new form 8938. Make sure to consult with your tax advisor about the 8938 to understand any rule changes that may have taken place since this time of this writing.

## Additional reporting requirements

If you establish a foreign company to buy gold overseas, or transfer your gold to a foreign company, you may also need to file the following:

- Form 926: This form may be required to report a transfer of property from U.S. persons to foreign entities if you convey legal ownership of your gold to a Hong Kong company.
- Form 8832: This form is used to elect how you want your company to be classified—as a corporation, a partnership, or single member disregarded entity. By filing this form, you could elect to have your Hong Kong company (and its gold holdings) taxed either as a corporation or as a pass-through entity. To get around Passive Foreign Investment Company rules, a pass-through election may be beneficial.
- Form 5471, 8865, or 8858: This form may need to be filed depending on how you classify the entity. The 5471 is an information return filed for US shareholders of certain foreign corporations, the 8865 for foreign partnerships, and the 8858 for foreign single-member disregarded entities.

As always, make sure you consult with your tax advisor about these forms.



## 8. What if I can't leave home?

We routinely get asked by a number of subscribers—where should I store my gold if I can't leave home?

It's better to answer that question by talking about where NOT to store gold in your home country. Namely, at a bank... especially if you're in the United States. You might as well ask Tim Geithner to store it under his mattress. Bad idea.

Banks are simply unpaid government spies that will roll over the second they get a phone call from a regulator or government agent. It's not worth it. Private facilities, particularly those that offer anonymous storage, are generally safer because they fall outside of the regulatory framework.

There are a number of private vault facilities in North America; two that I am quite familiar with are 24/7 Private Vaults ([24-7privatevaults.com](http://24-7privatevaults.com)) in Las Vegas, NV, and Sarasota Vault ([www.sarasotavault.com](http://www.sarasotavault.com)) in Sarasota, FL.

Both offer fully anonymous rentals with no ID required.

Home storage is also an option. Most people just buy a small fireproof safe like most hotels have and put it in their study or bedroom. Again, bad idea. Remember, fire is not the biggest threat here-- we're talking about metal that is often melted down anyhow.

Besides, thieves (whether from the public or private sector) will look there first... and will be undeterred by such a small safe.

The best security is really just a clever hiding place. Privacy expert JJ Luna recommends 'plain sight' hiding places, like inside a box of laundry detergent on the shelf above the washing machine or an old can of paint in the garage.

Just remember two rules about home storage:

- Don't overcomplicate things. Keep it simple.
- Don't FORGET where you put your gold!