

How Gold Investments Can Secure Your Retirement Years

**By Doug “Digger” Eberhardt
Author of "Buy Gold Safely"**

“Turning ignorance into enlightenment, one person at a time...”

If you are nearing retirement and want to protect your existing investments, these uncertain economic times can be very frightening. You've worked hard to accumulate your nest egg and you can't afford to lose it.

Have you taken steps to secure your retirement funds? You have an insurance policy on your home. Why? Because if a fire comes you need assurance you'll be able to rebuild and recover. The weak American dollar can do more harm to your funds than you might realize.

The stock market is falling apart as fear takes its toll. Banks and financial institutions that were caught up in the subprime debacle are being bailed out as the government hands out what is supposed to be a stimulus to failed companies. This "stimulus" activity is nothing but an addition to the current 10 Trillion in national debt that will ultimately have a huge negative effect on the U.S. Dollar.

If you don't have investments in your portfolio to counteract this adverse action, your retirement nest egg is left unprotected even if it is currently parked in what are considered "safe" investments like CD's, Money Markets or Treasuries.

Gold is the best insurance against future shocks and acts as a safe haven for panicked investors.

You're not being told the truth about gold.

Financial advisers rarely recommend gold as part of a diversified portfolio because *they can't make a commission from selling it.*

Financial news outlets frequently disparage gold because a higher gold price *exposes the weakness of the dollar.*

This white paper will explain the startling facts about our current economic trends and reveal the benefits of investing in gold now.

World Stock Markets Are Collapsing: How long will it last?

The largest debt bubble in the history of the world is causing nations to scramble and salvage what's left of their equity markets, many through various stimulus packages.

Countries stock indexes are approaching their 2003 lows and once those levels have been breached, the panic will escalate.

Current returns for the leading world indexes:

- U.S. A. Dow Jones (DJIA) Down 46.8% from its high
- Japan (NIKKEI) Down 80.6%
- Germany (DAX) Down 47.7%
- Great Britain (FTSE) Down 41.7%
- China (SSE) Down 62.5%
- Every Country's Stock Index is down more than 40% with most down more than 50% from their all-time highs.

When the stock market crashed in 1929, it wasn't until 3 years later that the depression was upon us.

Fed Chairman Ben Bernanke, a student of the Great Depression, is on record in saying that he will do all he can to not make the same mistakes of letting the money supply fall that were made back then when he told world renowned economist Milton Friedman, winner of the Nobel Prize for Economics in 1976:

"Let me end my talk by abusing slightly my status as an official representative of the Federal Reserve. I would like to say to Milton and Anna: Regarding the Great Depression. You're right, we did it. We're very sorry. But thanks to you, we won't do it again."

--Comment by Governor Ben S. Bernanke on Milton Friedman's 90th Birthday, Nov. 8, 2002.

And so Bernanke and company are creating money at an unprecedented rate in a last chance desperate attempt to stimulate the economy. Whether through treasury creation or congressional approval, Bernanke is being true on his promise to Friedman.

So as the stock markets around the world deteriorate investors are finding that the strategies of “buy and hold” and “diversification” aren’t working any longer.

Americans are actually blind to the economics of it all... and even worse...their financial advisers for the most part have no clue how to protect them.

For decades the typical financial adviser has said to put 60% or so into stocks, 30% into bonds and 10% into cash.

How would this diversification done for you over the last 5 years?

- The DOW is now flirting with its 2003 low of around 7,500, but keep in mind the DOW first hit 7,500 in June of 1997. *That was 12 years ago! Stock markets do and will recover, but government stimulus only works so long.*
- Government bonds are paying very little in interest today.
- Corporate bonds are deemed to be very risky at present where the old AAA rating is the new BB “junk” rating in many cases.

Is Cash Really King Anymore?

Most investors are turning to cash in riding out this financial storm. Whether it be CD's, Money Market's or Treasuries, all of which are in some fashion backed by the U.S. government, people just feel safer knowing their money is in cash.

But, what protects you in these so called "safer" investments if the U.S. dollar declines in value?

What happens when this stimulus spending that Congress is dishing out starts to hit the purchasing power of the dollar hard?

What really backs these CD's Money Market's and Treasuries?

This is where most financial advisers miss the mark when it comes to true diversification.

The answer as to what backs these cash investments is of course the full faith and credit of the U.S. government. But this is where the wool is pulled over most people's eyes.

The credit the government offers you in backing your "safe" investments is actually nothing but trillions upon trillions of current debt and future debt and empty promises that in no way can be fulfilled.

The stimulus packages being implemented by the U.S. Government are the fulfillment of Bernanke's promise to Milton Friedman.

What currently backs the dollar? **NOTHING!**

From the U.S. Treasury website:

“Federal Reserve Notes are not redeemable in gold, silver or any other commodity, and receive no backing by anything. This has been the case since 1933. The notes have no value for themselves, but for what they will buy. In another sense, because they are legal tender, Federal Reserve Notes are “backed” by all the goods and services in the economy.”

Technically the Federal Reserve has a balance sheet which consists of gold and other securities.

The Fed recently has taken some of its AAA collateral and purchased illiquid bank assets. But since the government oversees the Fed's activities, they bless all they do. But what really backs the dollar?

Let's have a look:

1. **Government Debt** – Now OVER 10.7 Trillion, up from 8 Trillion in 2007. \$412 Billion went to just pay the interest on that debt in 2008. We owe China, Japan and the UK over 1.3 Trillion. The U.S. is the world's largest debtor nation. Would you invest in a company that has this much debt? That's what you're doing when you buy Treasuries, CD's and Money Market Funds.
2. **Budget Deficit for 2009** is projected to be \$407 Billion but it has already ballooned to \$2.5 Trillion. Where does this money come from? (See answer below)
3. **Trade Deficits \$677.1 Billion** – How long can a consumption society last?
4. **The Pension Benefit Guaranty Association (PBGA)** has a deficit of \$107 Billion and doesn't have the resources to fully satisfy its long-term obligations to plan participants (which means that the U.S. government will have to fund it through inflation). 40% of pensions

are unfunded and this includes the point that they are factoring in an annual 8% return! This clearly is not attainable in today's investment climate and even the PBGA lost over 20% on their accounts last year.

5. **Future obligations** - \$44 trillion for Medicare and Social Security (in today's dollars).
6. **Inflation** – At 4% inflation you will lose HALF of your purchasing power in just 18 years, but if inflation were to double to 8%, you would lose half your purchasing power in just 9 years.

Based on the above statistics, do you see higher or lower inflation in our future?

In Other Words...The U.S. Treasury Is Flat Broke!

As you can see, there is much trouble afloat in the U.S. economy and unfortunately all our leaders are doing is adding fuel to the above fire by creating stimulus out of thin air.

Notice the list above didn't include many negative consequences like:

- The \$596 trillion derivatives unwinding...
- The extra funding needed to fight wars in Afghanistan, Iraq or any future wars...
- Fiscal shortfalls that states are presently experiencing whereby the U.S. government is stepping in and giving them billions of dollars since they can't pay their bills. 22 states are currently facing tax shortfalls.

It also doesn't include the fact that there will be even more bailouts by our government because they believe that certain companies are "too big to fail" and must be bailed out at all costs.

Our nation's infrastructure is a mess as bridges collapse and roads crumble around you and Real GDP has fallen for 4 straight years.

Lastly, 25 banks failed in 2008 according to the FDIC website and 13 banks have already failed in 2009.

Does increasing the guarantee from \$100,000 to \$250,000 per account really give you more peace of mind when banks are beginning to fail at an alarming rate?

Things are getting ugly!

But there are ways one can obtain peace of mind in these uncertain times.

Our government in no uncertain terms is NOT living within its means and with the continued worsening unemployment situation, there is less money going to pay for current expenditures. What will the government do to stop this runaway printing? So far the answer is to print more money...but at what cost?

Higher taxes or higher inflation? Both are in your future...

Inflation is simply the increase in money supply which results in the devaluation of the dollar. It is created by printing money out of thin air or via fractional reserve banking (banks only hold 10% of what you deposit in your banking account. The other 90% is loaned out).

Printing money to pay for all current and future debt is what is driving this nation towards bankruptcy and spells deep trouble for the dollar.

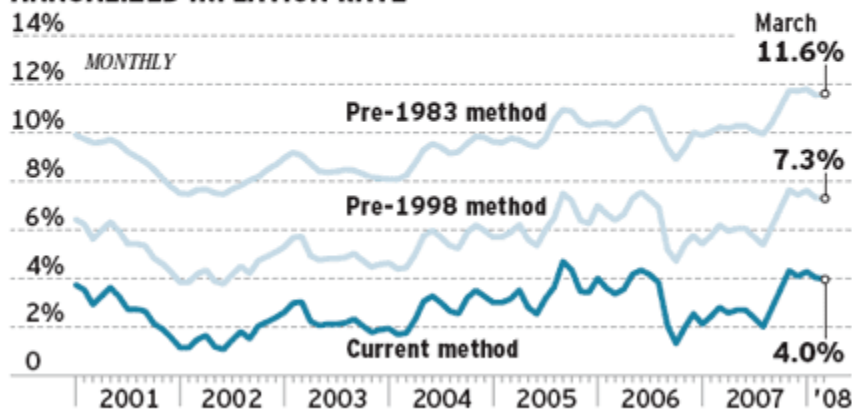
If you saw the hidden effects of inflation come directly from your paycheck or pension check each week, along with the current taxes you pay, then there would be more of an uproar from citizens, *but the sad thing is...you don't see it happening.*

According to the CIA World Factbook, the 2008 inflation rate for the U.S. was 4.2%. But if you check on the method of calculating the official inflation rate, you'll notice that it has been altered during the Reagan and Clinton administrations. The pre-1998 method would have inflation at 7.3% today and the pre-1983 method would put inflation at 11.6%.

Different ways of measuring inflation

During the Reagan and Clinton administrations, the method of calculating rising prices was altered in ways that lowered the official inflation rate. Below is a calculation of how the inflation rate would look today if it were measured by the former methods.

ANNUALIZED INFLATION RATE



SOURCE: Shadow Government Statistics

MATT PERRY / Union-Tribune

You do know the only way that this extra debt burden is paid for is by either raising taxes or via inflation right?

Congressmen don't get elected by telling you they will raise your taxes, so the only viable solution for them is to rely on inflation, the hidden tax.

"There is no subtler, no surer means of overturning the existing basis of society than to debauch the currency. The process engages all the hidden forces of economic law on the side of destruction, and does it in a manner which not one man in a million is able to diagnose."

---Lord John Maynard Keynes (1885-1946) renowned British economist

Did you notice the price of food go up that last few years? Eggs and bread are more expensive than they used to be. Movie tickets, postage stamps, you name it, you're probably paying much more than just a few years ago.

Do these things just get more expensive or does the dollar that you use to obtain them just buy you less?

"It is well enough that people of the nation do not understand our banking and monetary system, for if they did, I believe there would be a revolution before tomorrow morning."

--- Henry Ford

PRICE COMPARISON OF ITEMS - 1968, 2004, 2009

ITEM	1968 PRICE	2004 PRICE	2009 PRICE
Dozen Large Eggs	\$0.55	\$0.99	\$1.59
Loaf of Bread	\$0.25	\$2.50	\$4.19
1lb Bacon	\$0.69	\$4.59	\$5.72
½ Gallon of Milk	\$0.55	\$2.60	\$2.49
Head Iceberg Lettuce	\$0.19	\$0.99	\$1.59
46oz Welch's Grape Drink	\$0.49	\$2.65	\$3.45
McDonalds Regular Burger	\$0.20	\$0.85	\$0.99
McDonalds Big Mac	\$0.49	\$2.65	\$3.29
Vending Machine Coke	\$0.10	\$1.00	\$1.25
Time Magazine Cover Price	\$0.50	\$3.95	\$4.95
Gasoline	\$0.33	\$2.00	\$1.96
First-run Movie Ticket	\$1.00	\$8.50	\$9.25
Parker Bros Monopoly Game	\$4.00	\$15.00	\$18.99
First Class Postage Stamp	\$0.05	\$0.37	\$0.42

Inflation eats away at everything you do in trying to get ahead and chase the American dream. Not planning for it is failing to plan.

Are you wealthier when you get a 10% return on your stock investments and during the same time the dollar falls 10%?

If you would have invested when the DOW hit its low in February 2003 and sold at its high in October 2007, you would have earned 48%.

Anyone who was in the market during that time was feeling good about a 48% return, right?

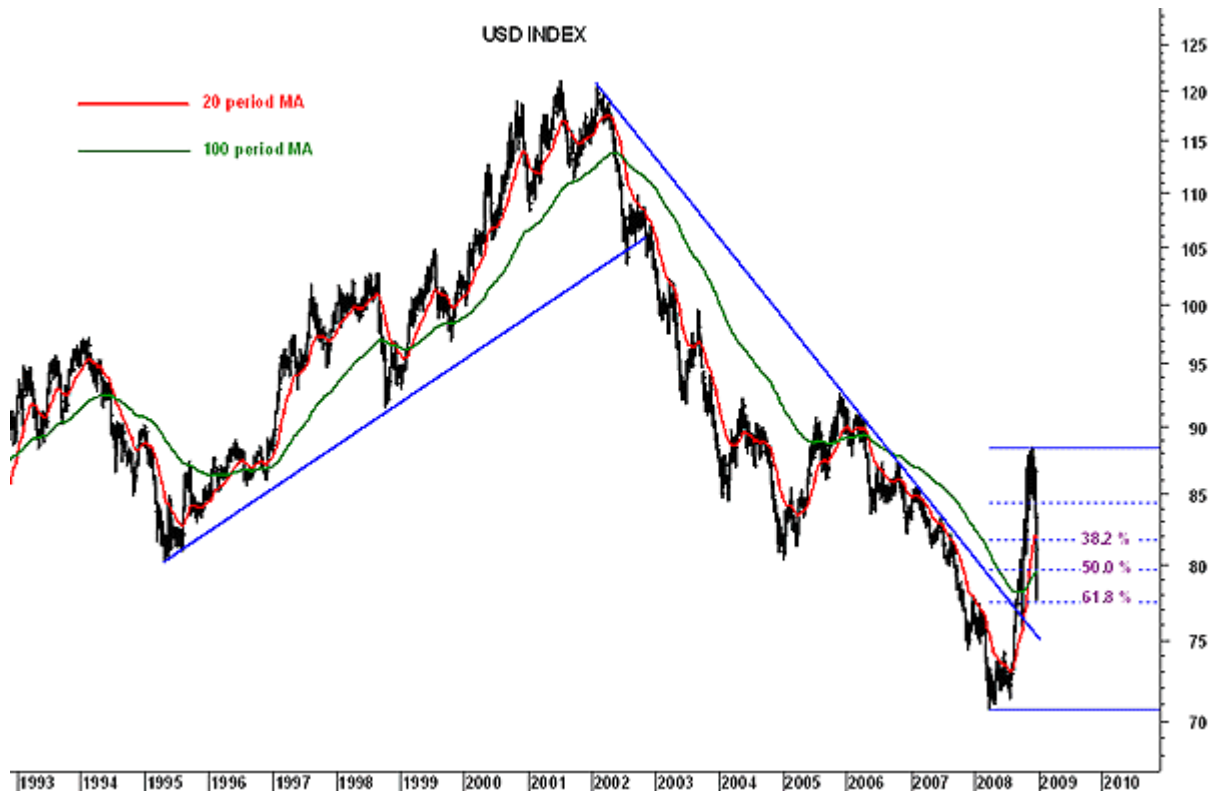
But how many realized that during that same time frame, the dollar lost a little over 20% in purchasing power?

The dollar index was at about 100 in February of 2003 when the DOW bottomed and declined to 77.89 in October of 2007 when the DOW hit its all-time high. This is a 22% decline that negates about 40% of one's return during that bull market in terms of purchasing power.

To put it in layman's terms, if someone owned a stock worth \$10 a share and it grew to \$12 a share, a 20% increase, then they would think they are wealthier. But if the dollar fell 20% during this time frame, when they go to

sell the shares and purchase goods with the proceeds, the price of the goods will have gone up 20% to keep pace with the inflated dollar.

You haven't gained any purchasing power under this scenario, which means you haven't gained any true wealth (I didn't include tax ramifications for simplicity reasons, but suffice to know that taxes decrease one's overall return).



And It's Worse Than You May Think...

Between July of 2001 and March of 2008, the dollar index fell 40%. What do financial advisers do to protect one from this decrease in purchasing power?

Many financial advisers say that they diversify investor's portfolios in foreign stocks to counteract any decline in the U.S. stock market. How did that work out for them last year? Down 40% or more in every index!

People want to make money in the market but they also have to secure their retirement portfolio first. This is an area that is completely lacking in today's investment environment.

There is only one real way to counteract the fall of the dollar.

It's Not Just The U.S., All World Currencies Are Declining

It's not just the U.S. dollar that is in trouble these days. All currencies are experiencing the same problem. The Australian Dollar has fallen 35% since July 2008, the British Pound 20% since October 2007 and the Euro has fallen 21% since July of 2008.

Could it be that all world currencies have the same problem as the U.S. dollar? **The answer is yes.**

They are all backed by their own governments "faith" or to put it more bluntly, the citizens "trust" that the little pieces of paper they take to the store will offer them something of value in return.

Will there be a mad rush to dump currencies, especially the U.S. Dollar? Scary Thought.

The fact that foreigners account for the majority of the U.S. debt has many wondering what happens if these foreigners return their Treasury investments...

A survey of Japanese investor's reveal that 40% believe the U.S. will default on their debt. Presently Japan, the second largest holder of U.S. Treasuries, has \$577.1 billion while China, the largest holder has \$681.9 billion. Japan's debt as a percentage of GDP sits at 170.4%, a rising concern.

Meanwhile, the U.S. government's top AAA credit rating was affirmed by Standard & Poor as recently as Jan. 13th, 2009. If the U.S. were a corporation with that kind of balance sheet, coupled its known future trillion dollar obligations for Medicare and Social Security, would it still get a AAA rating? The AAA rating is a little puzzling to say the least, and we all saw what AAA ratings did for the packages of subprime mortgages. Ratings agencies can't be trusted any longer.

This brings us to an interesting part of the discussion. How do we trust the numbers that we even get from various sources, let alone the ones that come directly from the government?

Case in point: Iceland
Iceland vs. U.S. A. Economic Data 2007

Economic Data	Iceland	U.S.A.
Unemployment Rate	1%	4.6%
GDP	3.8%	2%
GDP Per Capita	\$40,400	\$45,800
Inflation Rate	5.1%	2.9%
Revenues	\$9.64 Billion	\$2.568 Trillion
Expenditures	\$8.602 Billion	\$2.73 Trillion
Public Debt	27.6% of GDP	60.8% of GDP
Current Account Balance	-3.189 Billion	-732.2 Billion
Exports	\$4.793 Billion	\$1.148 Trillion f.o.b.
Imports	\$6.181 Billion	\$1.968 Trillion f.o.b.
Reserves of Foreign Exchange and Gold	\$2.436 Billion	\$70.57 Billion
Debt (External)	\$60 Billion	\$12.25 Trillion

You can clearly see that the 2007 economic data of Iceland showed a healthy economy compared to the U.S. at that time, but what happened in 2008 to Iceland?

Iceland experienced the largest economic crash in history as their stock market lost over 90% and the local currency, the Krona, fell 75% and is on the brink of becoming worthless. Meanwhile unemployment tripled.

Yes, things can happen quickly and one must be prepared even if they think "all is well."

But, it doesn't all have to be "doom and gloom." In fact, there is light at the end of the tunnel!

Some Things Never Change – Or The Truth About How Governments Cheat Their Citizens

“Today, all thinking, informed Americans know their country is in trouble. Many haven’t a clue as to what went wrong with their government, while others can recite a litany of reasons for their country’s distress. Of course, no one reason is paramount; but surely a debased, corrupt and inflationary monetary system must be placed near the top of the list of causes of America’s woes.”

---Dr. Edwin Vieira, PHD, JD

Many people don't in fact understand our monetary system and the debasement of the dollar to the point where it only has 3% of the purchasing power it had since its inception in 1913.

But before explaining how our current government is setting us up for disaster, have we learned nothing from history?

Why the Roman Empire Fell... Is History Repeating Itself?

During the time of the Roman Empire, at a point when creating wealth by conquest had ended, the government saw that the tax base had dwindled and the needs of the government weren't being met any longer.

To maintain their spending, glutinous ways, instead of raising taxes, the government started to debase the gold and silver coins (they didn't have paper currency during this era).

Gold and silver coins were replaced with copper and other cheap metals. The silver content dropped to one five thousandth of its original level from 218 to 268 A.D. During this same time frame, the amount of coins in circulation also increased **drastically**.

In the short run, the effect of debasing the coins helped curb inflation, but in the long run, it was a disaster that eventually led to higher prices and even government dictating fixed prices.

With inflation out of control, the economy came to a standstill. At the same time, the taxes on the wealthy were also increased and their lands confiscated. When the wealthy could no longer shoulder the tax burden, the economy dried up and so did the empire. ¹

Flash Forward To Today And Ask Yourself...
“Does This Sound Familiar?”

In 1913, the Federal Reserve was created and paper dollars traded side by side with gold and silver coins. In 1929 the stock market crashed and three years later the Great Depression was upon us.

During those three years, many banks failed as citizens lost faith in the currency. Dollars could be converted into gold as money back then actually had the phrase “Redeemable in gold coin” printed on the bills. Roosevelt had to do something to stop the run on the banks.

Devaluing the dollar was something that Roosevelt became known for and it was his executive order that stopped the exchange of paper dollars for gold in 1933. The next year, Roosevelt devalued the dollar by 40%.

Federal Reserve Chairman Ben Bernanke, himself a student of the Great Depression, thinks this devaluing action was a good thing based on a speech he gave in 2002. This is quite telling as it is exactly what he is doing.

Today Americans find themselves with a definite debasing of the dollar, a President who is OK with taxing the wealthy more and a congress, treasury, and Federal Reserve that are implementing stimulus package after stimulus package...all in the citizen's best interest of course.

Will the U.S.A. go the route of the Roman Empire?

Is it only a matter of time?

All the signs are falling into place. Is there anything that you can do to protect yourself?

What Are the Challenges Investors Face Today?

Investors aren't being told the truth about gold. CNBC bad mouths gold every chance they get, laughing at guests who come out and recommend diversification into the precious metal.

The reality is, gold has gone up every year since 2000:

Year	12/31 Price of Gold
2000	\$273.60
2001	\$279.00
2002	\$348.20
2003	\$416.10
2004	\$438.40
2005	\$518.90
2006	\$638.00
2007	\$838.00
2008	\$885.50
2009	\$??

What other asset can claim this track record over the last 8 years?

- It took 18.5 ounces of gold to buy the DOW on September 3, 1929.
- On May 10th, 2006, it took 16.5 ounces of gold to buy the DOW.
- February of 2009, it takes 7.8 ounces of gold to buy the DOW.

Leading experts believe that this ratio will end up 3:1 to 2:1. The DOW at 6,000 and gold at 2,000 would be 3:1. We're not far from that now. A 2:1 ratio is not as farfetched as one might think.

Correlation studies have shown that adding gold as an investment may stabilize your portfolio during declining financial markets and poor economic climates, thus reducing risk.

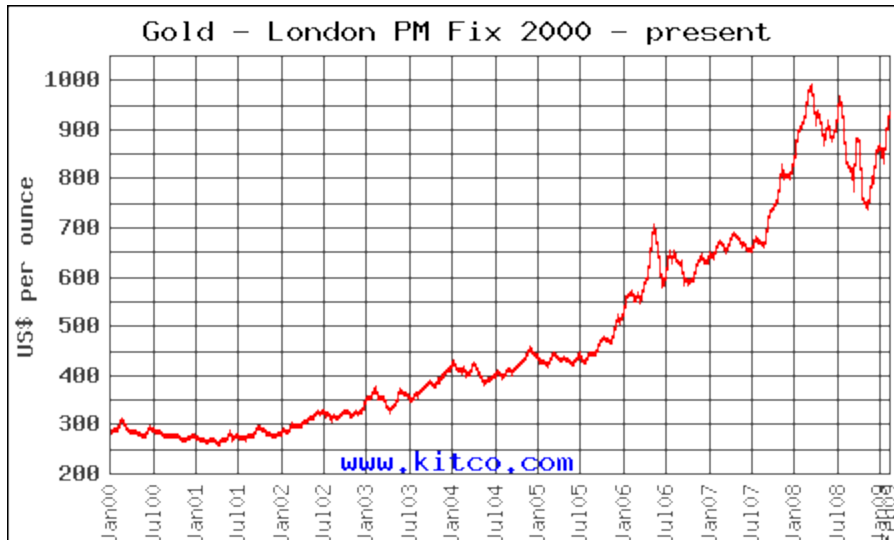
Gold can protect you from the ravages of inflation.

There is no doubt that with the current addition of stimulus after stimulus or bailout after bailout that this will be highly inflationary in the years to come. The increasing price of gold will allow your portfolio to keep pace with the price increases that will be forthcoming in the not too distant future.

The supply of gold is limited, unlike paper currency where governments around the world can print unlimited amounts. *There is a limited supply of gold and a worldwide appetite for it. Talk about your perfect storm for profit!*

Jim Rogers, Author of the book, "Hot Commodities" says that the average bull market for commodities last 17 years. We're only half way into this game and you can pretty much say that this is not an "average" market we're experiencing.

People protect their homes from potential fire, autos from any kind of unforeseen damage, life insurance for unexpected demise...but leave out the one insurance that based on **everything** you know and understand about our economy and monetary system is going to be utilized in the not too distant future.



As you can see from the information you have read in this white paper, there is a compelling reason for you to invest in gold, starting right now.

It is a **must** that one diversifies into what will be the peace of mind insurance that can only come from making a good decision.

- Gold **is** the insurance you need to counteract the coming financial tsunami.
- Gold **is** currently in the 2nd and longest phase of its cycle. There is plenty of upside coming.
- Gold **is** one of the last places one can profit from during these trying times.

There's the story of the widow living in Israel who works for a small boutique. Each week she gets paid in the Israeli currency called the shekel. Immediately upon getting paid, this woman rushes out and buys a gold bracelet.

In a country where war could and has occurred many times, and of course an area of the world with a long, Biblical history of gold, this woman knows where true value is.

She found it *not* in paper, **but in gold**.

When looking for the right type of gold investment, there is a real empty space in our educational system because the government and banking institutions don't really want you to know anything about gold.

Gold is competition to their almighty dollar. They know that if you knew the truth about gold, you may just trade those dollars in for something of real value.

So what do you look for when it comes to investing in gold?

A minimum requirement is to know the various ways to invest in gold.

Many first time investors in gold don't know where to turn when it comes to what type of gold to buy or where to even buy it. They hear advertisements on the radio or see television ads but don't know anything about these companies doing the advertising. How does one trust these organizations? How does one keep from getting ripped off?

They also don't know what questions to ask, what type of gold to buy, what percentage of assets should be invested in gold or what fees and commission should be paid.

Of course people could turn to their financial adviser, but what will they recommend you purchase? The one that will fill their pockets with commissions of course!

Other issues of concern are can one put gold in their IRA, what are the tax ramifications and what do I need to know when it comes time to sell my gold, let alone what will trigger the time to know when to sell.

The Next Step For You...

Join the thousands who understand how to profit in gold by making the right investment decisions. I have written an ebook that reveals the secrets of gold investing they don't want you to know. It's titled "*How To Buy Gold Safely*" and you can get the details right [here](#). Or visit: <http://safelybuygold.com> Also, feel free to [pass this white paper on to others you think may benefit.](#)

Notes:

1 Roman Empire analysis taken from [Thayer Watkins PhD, San Jose State University](#) and Todd Wenning; [An Open Letter to Congress](#)