



Precious Metals Quarterly

An Insider Report for Clients of Independent Living Bullion

As World Shuns Dollars, Gold and Silver Are Poised to Reassert Themselves as Sound Money

By STEFAN GLEASON
President, ILB

The U.S. currency's privileged status on the world stage as "King Dollar" is slowly coming undone. As more nations move to bypass the dollar in international trade and exchange their holdings of shaky U.S. Treasury debt for the solidity of gold, the value of the dollar may take an epic tumble.

In May, Russia signed an historic 30-year contract for natural gas delivery to China that will eschew use of the U.S. dollar. Instead, the two powers will do business in their own respective currencies. It's a direct frontal assault on the "petro-dollar" system.

Major Russian bank VTB also signed a bilateral dollar-bypassing deal with Bank of China. The two financial institutions will transact in rubles and yuan

for "investment banking, inter-bank lending, trade finance, and capital-markets transactions."



We don't think the Chinese or Russian currencies will replace the U.S. dollar as world reserve currency – not anytime soon. At present, there is no single currency that is positioned to replace the Greenback in global trade and world central bank reserves. Most of the buck's leading competitors, including the

euro, are themselves being depreciated to prevent them from gaining value.

In fact, the European Central bank recently took the unprecedented step of imposing *negative rates of interest* on commercial bank deposits! It's a desperate attempt to ward off an economic contraction, and it proves that no major fiat currency today is sound.

As all fiat currencies race to see who can depreciate the fastest, gold figures to gain prominence as a time-tested sound currency. Chinese imports of gold set records last year (and what's on record is likely an underestimate of the real total). China's ally Russia is now the world's seventh biggest gold holder and seems intent on accumulating even more of the monetary metal.

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In April, the Central Bank of the Russian Federation purchased 900,000 troy ounces of gold – its second largest monthly purchase ever.

A Gold Standard for World Powers, a Silver Standard for the Everyman

Physical silver is impractical for most central banks to hold in significant quantities as reserves. Logistically, silver just can't be obtained and warehoused in multi-billion-dollar increments the way gold can.

But for non-billionaire individual investors, silver may be the most practical metal to hold in personal reserves. Silver is the hard money you'd actually be able to use for everyday transactions, just like Americans did before the silver was removed from our dimes, quarters, and half dollars in 1965. Of course, gold has some practical advantages, too – it's easier to transport and conceal and tends to be less volatile.

According to the U.S. Constitution, both gold and silver are the legitimate currencies of the land. Individual states may recognize gold and silver coins as payment for all debts. In June, Oklahoma joined Louisiana, Texas, and Utah in exercising their Constitutional right to grant U.S.-minted gold and silver coins legal tender status.

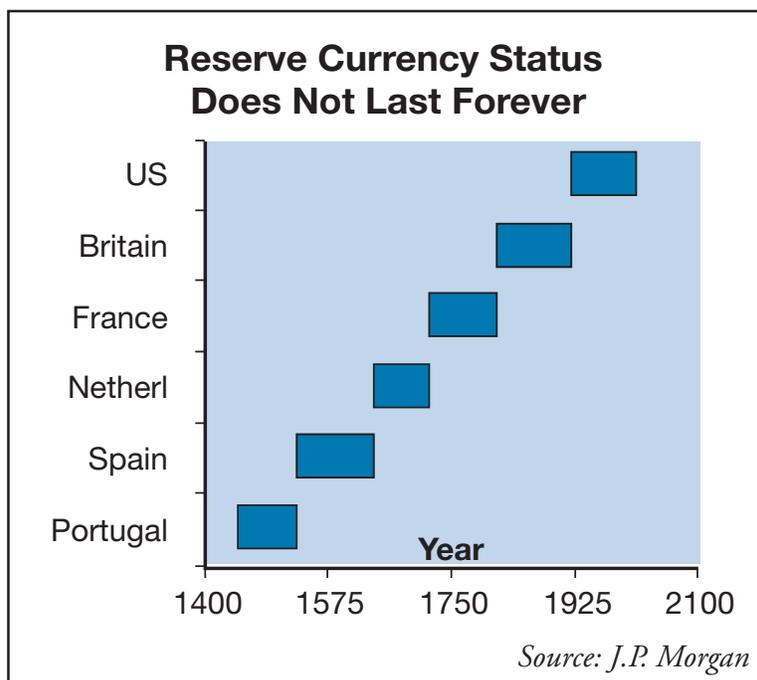
To be clear, bartering with gold or silver coins is legal in all states. However, states with legal tender recognition make it much easier for citizens to receive payments or pay bills in gold or silver. Legal tender status means no state income taxes apply to transactions involving gold and silver American Eagles (and certain other U.S. coins).

What's needed to allow gold and silver to compete on a level playing field with the U.S. fiat dollar is what

Oklahoma has done – except at the federal level. Until then, we as individuals can go on our own bi-metallic standard, bolster our own reserves of gold and silver, and even take advantage of opportunities to use precious metals as money in legal barter transactions.

Every American should have a basic foundation in pre-1965 90% silver coins – handy for bartering in small increments and widely recognized.

Beyond that, pure silver rounds in tenth-ounce, half-ounce, and full-ounce sizes (all available from **ILB**) will also come in handy. You can then round out your barter stash with some Silver and Gold Eagles, which may be preferred by some parties over other types of bullion – especially in states that specifically recognize U.S. gold and silver coins as legal tender. 🕒



No world reserve currency empire lasts forever, and the U.S. dollar's time may be running out.

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6 Tips for Securely Storing Your Precious Metals

BY CLINT SIEGNER
Director, ILB

If you've made an investment in physical precious metals, or even considered taking that step, the question of where to securely store it has surely come up. It's an important question.

Physical gold and silver comes without the counterparty risk associated with paper assets, but investors must still manage the rising risk of theft.

According to the FBI, well over \$1 billion in precious metals and jewelry is stolen each year, and this problem has nearly doubled in the past decade as the economy has struggled. And less than 5% of stolen precious metals are ever recovered and returned to the rightful owners.

Before sharing our list of hiding places, we want to impress upon you the importance of installing a security system at your house. You have a lot more to lose from a home break-in than just your precious metals.

That said, here's one important rule and a few simple strategies that can dramatically reduce the risk your stash is stolen.

Rule #1: Don't Talk about Your Holding

A huge percentage of thefts involve inside knowledge. The larger the circle of people who know you have valuables, or worse – exactly where those valuables are hidden – the greater the chance that information will be shared with a crook. The best policy is to share the details on where to find your stash with 1-2 people you trust and impress upon them the need for privacy. If thieves don't know you have a precious metals stash, they are less likely to risk life and limb targeting your home at random.

In addition to Rule #1, consider employing one or more of the following:

A Quality Home Safe

Tried and true, a well-built home safe is always a good idea. Bolting it to the floor in a spot where it will be

awkward for thieves to employ a prybar further improves security. Floor safes and wall safes hidden under a rug or behind a family photo are also very effective.



Decoy Stash

Put a modest, but believable, portion of your holding in a more obvious location to throw crooks off the scent of your primary cache. Consider storing a few coins in your gun-safe or a cheap firesafe. If those are found, criminals are likely to stop their search. And, if your home is invaded, you and your loved ones will have something ready to hand over.

Choose the Unlikely

Unless it is a decoy stash, don't choose clichéd hiding locations. Under mattresses, sock drawers, and master bedroom closets will be the first places searched. Here is a list of not-so-obvious hiding spots that work well:

- Paint cans in a garage cabinet – It's a good idea to leave some paint in the can and package your metals to avoid rattling.
- Buried at least two feet in the ground inside a waterproof container.
- Your freezer – perhaps inside an emptied-out box of frozen food product.
- A stuffed animal in a box of old toys tucked away somewhere.
- Behind some insulation in your attic.
- On a bookshelf inside ILB's clever booksafe.



ILB's custom booksafe with internal locking box is available for \$24.99.

See Storing Your Precious Metals, page 8



Some Great Questions

Posed by Our Loyal Customers

At Independent Living Bullion, we believe a significant part of our mission is to educate customers and the public at large about the many aspects of the precious metals market.

While our precious metals Specialists have the pleasure of addressing the many excellent questions posed by our customers on an individual basis, we occasionally take the opportunity to share some of the best and most common questions and answers in a more public way...

Rita asks: Is XYZ Gold Company reputable?

Do a bit of due diligence before you order. Reputable dealers have customers who share their happy experiences, while unethical dealers leave a wake of unhappy customers. A quick Google search will often yield these results.

In addition to checking the dealer's reputation, here are 3 red flags to watch out for:

1. You call with questions about a bullion product, and the salesperson attempts to sell you a "rare" coin instead. Many of the firms advertising on television and radio hire high-pressure salespeople and pay huge commissions to sell coins that aren't at all rare or desirable collectibles – at super-high profit.
2. You can't find published pricing for their products – either to buy or to sell. Competitively priced dealers, such as **ILB**, are proud enough of their prices to publish them live. And you know you won't get fleeced because you know exactly how much an item would fetch if you were to sell it, before you buy it.
3. The salesperson is discouraging you from buying low premium bullion products by promoting some phony advantages of rare coins. Some of the most common myths are supposed tax advantages, extra privacy, protection from confiscation, and reliable potential for profit. There is zero difference in how numismatic coins are treated in the tax code. No asset is confiscation proof from the U.S. government. And semi-numismatic coins sold at huge mark-ups to their melt value will underperform low-premium bullion 100% of the time.

Howard asks: Silver prices have fallen, but silver premiums haven't followed suit. Why is that?

Premiums represent a combination of factors. For newly minted coins, rounds, and bars, the cost of

manufacturing is a major factor. Mints and refiners set manufacturing charges based on the cost of labor and equipment, not on the spot price for the metal. These costs do not follow the silver price downward – or upward for that matter.

Another factor in premiums is demand. And demand for physical silver is setting records – the opposite of what is happening in the markets for paper silver. Dealers are bidding aggressively for physical inventory, putting upward pressure on premiums.

This dynamic is compounded by short supply when it comes to bullion products such as pre-1965 U.S. silver dimes, quarters, and half dollars. Mints and refiners aren't producing any more.

Both the bid and the ask premiums for the pre-1965 coins are significantly higher than in 2010 – the last time silver traded below \$20/oz. The difference is in investor perceptions.

In 2010, silver was nearing recent highs and more people were willing to sell. Today, silver spot prices are less than half the 2011 highs and virtually everyone who owns pre-1965 coins is holding out for a recovery.

Just make sure your dealer is pricing competitively and pay attention to the premiums being offered should you wish to sell. Beyond that, higher silver premiums signal the existence of a strong market for physical, coins, rounds, and bars, and that's good news for investors.



Premiums on pre-1965 silver coins have risen as spot prices fell.

Three Exciting New Products Released

BY MIKE GLEASON

Director, ILB

In an effort to provide the most value and variety for our customers, **ILB** has proudly added a few new offerings in recent weeks.

Responding to the growing demand for fractional items, we now carry the world's most popular divisible product – the Valcambi



Breaks into 50 one-gram bars!

Swiss-made bar, which can be broken into 50 individual 1-gram .9999 gold pieces, is unique among bullion products. And it is a great alternative form of gold – with the versatility and barterability of fractional coins such as the 1/10 oz American Eagle at a far lower premium.

The current melt value of a single gram of gold (roughly 1/31st of an ounce) is approximately \$41. Investors looking for ultimate flexibility and value should consider having at least one CombiBar, and, given the precarious nature of many of the paper currencies around the world, one might even consider keeping it with them at all times.

In silver, two new attractive 1-ounce products are available.

First, the Australian Saltwater Crocodile (minted by the prestigious Perth Mint) gives silver stackers yet another 1-troy ounce government-minted option from which to choose. The

Crocodile marks the first competitively priced 1-ounce silver coin from the Perth Mint available in the U.S. market. Packaged in tubes of 25 (like the Canadian Maple



New from the Perth Mint!

Leafs – rather than in tubes of 20 like most other 1-ounce silver coins/rounds), the Crocodiles have a limited 2014 mintage of only one million worldwide.

In fact, most precious metals dealers have already sold out of these beauties. But due to **ILB's** special position in the market, we can still offer the Silver Crocodile as of this writing.

Many in the industry believe the Perth Mint will soon release a silver coin, perhaps a 1-ounce silver Kangaroo, that can be had at better prices than the U.S. Silver Eagle, whose popularity has allowed it to succeed despite its relatively high premiums. (Crocodile premiums are roughly the same as Silver Eagles.)

And finally, we are pleased to announce the release of the new 1-ounce Buffalo silver round.

Buffalo rounds offer **ILB** customers another low-price alternative to the government-minted coins such as the Silver Eagles, Maples, Philharmonics, or the aforementioned Crocodiles. Privately minted rounds, while not legal tender like coins, contain the same 1-troy ounce of .999 silver as their government-minted counterparts, but **ILB** offers them for \$1.50 to \$3 less per ounce.



Iconic Silver Round Design!

The Buffalo round, featuring an American Indian on the obverse and a bison on the reverse, is modeled after the iconic Buffalo Nickel – a 5-cent circulating coin produced by the U.S. Mint between 1913 and 1938. While we still make available the well-known Walking Liberty and “Don’t Tread on Me” 1-ounce silver round designs, the Buffalo round gives our customers three attractive options. 📍

Gold:Silver Ratio Favors Silver

It currently takes about 65 ounces of silver to buy one ounce of gold. This number could go higher, but we wouldn't bet on it. Spikes higher tend to happen during unusual and unpredictable events – such as the financial crisis of 2008, when the ratio surged briefly above 80 and spent a few months above 70.

On a historical basis, the gold:silver ratio is moving toward an extreme. Except for the decade between 1987 and 1997, the current level is much higher than average.



The good news is that a top in the gold:silver ratio is also likely to signal a bottom in gold and silver prices.

The reason is that silver usually underperforms when the precious metals markets are in a bear cycle, as we have seen over the past 3 years. The ratio bottomed at 33 in 2011 when silver reached \$49/oz, and it has been rising as silver prices have fallen under \$20/oz, while gold's decline has been far less dramatic.

So where is the ratio likely to go from here? Silver market expert David Morgan weighed in on the subject in a recent **ILB** Market Wrap Podcast, saying *“For those that are followers, let me just say I think silver will outperform gold. It has already somewhat (over the past 10 years). I think it will continue. Do I think it will hit the monetary or classic ratio (16 to 1)? I think it will. I think it*

could even touch the natural ratio (9 to 1) at a point, but those are days far ahead of us now.”

We agree. Our Specialists urge investors to favor silver at these levels when making new purchases.

And for anyone whose holdings consist primarily of gold, it can make sense to swap *some* of that gold for silver at this time – perhaps *most* of it later on if we see a sudden spike higher in the ratio.

Those who want to make the swap can count on **ILB** to make it easy. We'll lock prices on the gold you wish to sell and the silver you wish to buy simultaneously. We'll even pay for the cost to ship and insure your silver as soon as we receive your gold.

That's right, you get FREE SHIPPING from **ILB** if you swap gold for silver! 📍

Free Report: How to Get Rich or Go Flat Broke

Analyst and teacher David Smith of The Morgan Report has begun his work for our readers and customers by sharing his insights on a “secret investment tool” that you may not even realize you already own. Anyone investing in precious metals – or *anything* for that matter – should read this report.



David Smith writes a monthly column for ILB.

For a free copy, email us at inquiry@IndependentLivingBullion.com, call 1-800-800-1865, or visit our website and access our buying guides under the Resources tab.

What to Expect When Telling Friends about Gold and Silver

BY GUY CHRISTOPHER

You certainly have a right to be proud. You are probably quite comfortable with your decision to turn some paper money into sound money.

Over the past several years, you've come through the barrage of bad news and warning after warning of the economic dangers facing your family and your country. That onslaught changed your outlook.

You paid attention and understood having part of your savings portfolio in gold and silver is crucial. Importantly, and something you may not have realized, is that you overcame *enormous*

forces working against you and dedicated to your ruin.

You congratulate yourself that you have a head start on surviving a devastating financial crisis that may yet come at any time, and you just can't keep that to yourself. You want to *share* your knowledge about the imperative of owning precious metals with those you care about. Out of deep concern for their well-being, you want to urge them to take action like you have, so you confidently suggest they should own gold and silver.

Prepare to be disappointed.

How can you fail, you wonder, to convince others of dangers so evident? After all, you know your facts: paper money is debt, backed by nothing; no paper currency has ever survived massive over-printing by any government in history; gold and silver have been true money since antiquity with an undisputed track record of holding value through all wars and natural calamities; all governments on Earth are on the same path to drive their nations into ruinous debt with no regard for their citizens; simple math shows our national debt can never, ever be paid; and history proves conclusively from Ancient Rome to the old Soviet Union that no civilization can escape the massive economic chaos that comes with devaluing their own currencies.

You might add the simple observation that fiat money is created in unlimited quantities by an office clerk tapping on a computer key, while gold and silver coins are produced only after men with courage and dreams have searched the planet, dug the ground, sweated their labors, matched their brawn to a bit of luck, and often found they must then brave thieves and murderers who would steal their hard-earned wealth.

No paper currency has ever survived massive over-printing by any government in history.

I'd say you've got some pretty good arguments there. But they won't work. Not all the time, not very often, and not with everyone you care about.

You will invariably get the standard replies, led by the number-one favorite on my top ten list of excuses to never buy gold: *If things got so bad, you would not use a gold coin to buy a loaf of bread.*

I estimate my own record of selling the gold and silver story to my friends and loved ones at a 4% success rate. The success reported by friends who own precious metals is a bit lower, between 2% and 4%. Another informal survey I saw years ago found similar, very low results of around 3%.

Gold Was Booted from the Monetary System, Wall Street, and Academia

There is a very good reason that gold and silver are a tough sell. Gold and silver have been drummed out of the American psyche over the past eighty years, starting in 1933 with FDR's war on gold ownership. The drumming continued on through 1965 when LBJ ordered silver out of everyday U.S. coinage, trading mystery metal for the silver in our pocket change. Nixon finished us off in 1971 when he defaulted on America's promise to foreign nations to redeem their dollars for our gold.

That U.S. government campaign to destroy America's link to sound money was conducted on purpose and with masterful results. It was meant to separate

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Telling Friends about Gold and Silver

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Americans from their Constitutional ties to a sound economy, so that government could go on an eighty-year spending spree, easily outpacing the already tawdry reputation of drunken sailors.

At first, the takeover was slow.

Government first needed to gain control over formal education and later was happily joined by the lapdog media. Wall Street was never a problem. It was on board the whole way. Together, they convinced Americans that true money is the plastic credit card, not gold. Together they successfully redefined wealth as debt, replacing thousands of years of monetary history in just eight short decades.

Your government used your schools, your once-free press, and the financial industry to shamelessly steal your economic power in order to have that wealth for itself. The dirty secret all governments hid from you, and hid very successfully, is that gold is the only money those governments trust or truly care about.

Governments Secretly Deal in Gold While Belittling It Publicly

Governments don't trust each other's paper money, nor contracts with each other, nor treaties, nor promises, nor handshakes. When governments wish to seal the deal, they honor and trust gold above all paper currencies. That's why all governments keep their dealings involving gold secret, and why it would take an Act of Congress, literally, to properly audit and account for America's

Storing Your Precious Metals

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False Pipes/Electrical Boxes

Install plumbing or an electrical junction box that appears functional. These pipes and boxes make ideal hiding spots – never garnering a second look from anyone. Just be sure to invest the time and care to make them look genuine.

Safe Deposit Box/Commercial Vault

We recommend everyone keep at least a portion of their holding under direct personal control. Storage

gold. That's also why the Establishment Media ignores or corrupts the gold story, because they play on government's side.

Your government prefers you hold debt, not wealth. They want that

wealth in their hands, not in yours. Your government worked very long and very hard to ensure Americans don't even think about gold.

It worked like a charm.

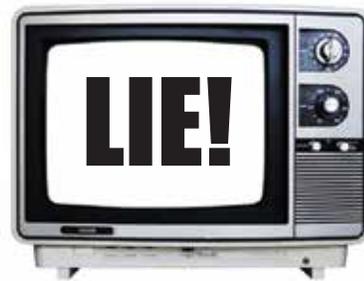
That's what you're up against when you begin to tell the gold and silver story to someone you care for.

You swim against a tide of misinformation, corrupted education, and outright, blatant lies, all thoroughly believed by too many Americans. It's a tough challenge for you to change opinions, habits, and beliefs that were eighty years in the making. You will find only a few will pay the same attention you've paid. But reaching those few should be a worthy goal, for now.

The free market itself will one day force everyone to pay attention.

Meanwhile, answer those ho-hum excuses about gold with honesty. Admit that when things do go bad, you too would never use a gold coin to buy a loaf of bread... you'd use that gold coin to buy the bakery! 🕒

ILB columnist Guy Christopher is a veteran writer living on the Gulf Coast. A retired investigative journalist, published author, and former stockbroker, Christopher has taught college as an adjunct professor and is a veteran of the 101st Airborne in Vietnam.



at home is the best way ensure 24-hour access and guarantee privacy. However, third-party storage in a safe deposit box or commercial vault can make sense for anyone who simply won't be able to sleep at night with all their valuables at home.

And for very large holdings of precious metals, storage at one or more secure vault facilities outside your home is a practical must. 🕒